



A Tradition of Stewardship  
A Commitment to Service

**Napa-Vallejo Waste Management Authority**  
Internal Audit Report  
For the Quarter Ended December 31, 2016

Issued by  
**AUDITOR-CONTROLLER**  
**Internal Audit Section**  
August 11, 2017

# 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 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 December 31, 2016.

### Objective

The objective of our review was to:

- 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.
- Provide the Authority with information on exceptions and additional information resulting from our engagement.

### 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;

## **Procedures** (Continued)

- Verify that internal controls are in place over the issuance of tickets;

## **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 December 31, 2016, we noted the following results and exceptions:

### **Report Section**

- I.**       **Result:** Account Balances over 90 Days – As of December 31, 2016, twelve accounts had balances over 90 days past due for an amount of \$5,978. See Exhibit A on page 8 for a detail list and Exhibit B on page 9 for the quarterly history of accounts over 90 days from January 1, 2015 to December 31, 2016.
- II.A**   **Result:** Analysis of General Ledger Activity – A total of \$3.7 million in revenue was received in cash, checks, credit card charges, and payments to accounts receivable. See Exhibit C on page 10 for the detail results of the analysis.
- II.B**   **Exception:** Cash (Shortage) Overage – During the quarter there were thirteen overages, eighteen shortages and three additional customer short pays. Total net shortage for all occurrences was \$931. See Exhibit D on page 11 for a summary of the year to date Cash (Shortage) Overage.
- III.A**   **Exception:** Same Time In and Out - We noted forty-one tickets with the same “Time In” and “Time Out” entries for a cumulative amount of \$3,295. The Scale Transaction report did not indicate the cause of why the time was the same within the comment field nor did the information appear on the Daily Reconciliation Forms.
- III.B**   **Exception:** Negative Tickets/Void Tickets – During the quarter there were seventy-three tickets with negative amounts for a cumulative amount of \$14,903. There was one instance where a voided ticket’s corresponding replacement ticket in cash did not have the drivers signature acknowledging the reduction of the ticket from \$51.20 to \$37.00. See Exhibit E on pages 12 and 13 for additional analysis.

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

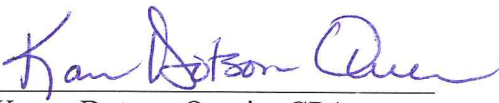


**Conclusion**

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. The responses to the exceptions identified in our report have 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; 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  
August 11, 2017

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**RESULTS**  
**AND**  
**EXCEPTIONS**

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2016**

**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 June.

**Result:** Account Balances over 90 Days – All accounts over 90 days at December 31, 2016 and their status have been presented in Exhibit A on page 8 for an aggregate amount of \$5,978 including fees and interest, which is a decrease of \$38 compared to the prior quarter balance of \$6,016. Historical data and trends of the accounts receivable balances over 90 days is presented in Exhibit B on page 9.

**II. REVENUE**

**A. Procedure:** Analysis of General Ledger Activity – We completed a comparison of the general ledger activity to the deposit slip information submitted by DRTS for the quarter ended December 31, 2016. We also verified the timeliness of transmitting the deposit information and recording the revenue in the proper account.

**Result A:** A total of \$3.7 million in revenue was received in cash, checks, credit card charges and payments on 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. Transactions were remitted and posted timely. No exceptions were noted.

**B. Procedure:** Cash (Shortage) Overage - We examined cash shortages by comparing the total transaction per transaction date according to the cash report generated from the “Scale Transaction Report” versus the amount in the general ledger.

**Exception B:** During the quarter there were thirteen overages and eighteen shortages, with three additional customer short pays. Explanations in SoftPak and on reconciliation forms either did not exist or required further investigation. Total net shortage for all occurrences was \$931 for the quarter ended December 31, 2016. Year-to-date shortages and overages reported at Exhibit D on page 11.

**Recommendation B:** We recommend that Scale House staff note reasons for any overages or shortages on the end of day reconciliation form. The reasons should include the original ticket number; the replacement ticket number; a brief explanation of any change of date, weight, or origin; and the reason for the change.



**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2016**

**RESULTS AND EXCEPTIONS**

**II. REVENUE (Continued)**

**Northern's Response B:** Northern Recycling has instructed all scale house staff to make notes of any overages or shortages on the daily reconciliation form. Short pays are to be reported on a short pay form and a copy sent to the Auditor Controlers office if the short pay is not collected within 3 business days.

**C. Procedure: Hand Tag Analysis** – Verified if contractor accounted for the manual tickets accurately within the electronic system for the quarter.

**Result C:** Due to power outage caused from an accident near by on the Highway 29, and the server being down on couple of other days. There was a surge in the number of Hand Tags issued this quarter, a total of 675 Handtags were hand written and accounted for in the system. No exceptions were noted in the sample of handtags were selected.

**Northern's Response C:** Northern Recycling staff has reviewed the hand tag procedure with all office and scale house staff. The use of hand tags and the procedures that have evolved over time which have been agreed to by the Napa County Auditor Controlers office allows the Devlin Road Recycling and Transfer Facility to remain open when power outages or computer issues prevent the use of credit cards or computer based transactions. All tranactions are accounted for with the use of numbered handtags, the handtags are then entered into the computer system once the system comes back online to allow for system data collection and tracking. Northern Recycling encourages the Auditor Controlers office to routinely review the procedure and use of handtags.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2016**

**RESULTS AND EXCEPTIONS**

**III. INTERNAL CONTROLS**

**A. Procedure: Same Time In and Out** – We examined the Scale Transaction Reports for the quarter ended December 31, 2016 and noted transactions with the same “Time In” and “Time Out.”

Transaction that have the same “Time In” and “Time Out” occur whenever the system is down and hand tags are entered afterwards; or a ticket is modified such as a change in payment type, incorrect material or customer name, or for any reason where the customer changes their mind and replacement tickets are issued.

Same “Time In” and “Time Out” will occur for non-weighted items. We excluded tickets for non-weighted 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 exceptions:

**Exception A:** We noted forty-one tickets with the same “Time In” and “Time Out” entries for a cumulative amount of \$3,295. The Scale Transaction report did not indicate the cause of why the time was the same within the comment field nor did the information appear on the Daily Reconciliation Forms. Thirty-six of the tickets were for cash customers totaling \$1,871 and five tickets were for accounts receivable customers totaling \$1,424. Tickets for voids, replacements, non-weighted items, Collection Contractors and public agencies were excluded from the procedure.

**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.

**Northern’s Response A:** The scale house staff has reviewed the procedure for noting the reason for same time in and out tickets. In a review of the tickets in question a large number of them were simply for a change in the way the customer choose to pay the dump charge.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2016**

**RESULTS AND EXCEPTIONS**

**III. INTERNAL CONTROLS (Continued)**

**B. Procedure: Negative Tickets** – We reviewed negative amounts from the Scale Transaction Reports for the quarter ended December 31, 2016. 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:** During the quarter there were seventy-three tickets with negative amounts for a cumulative amount of \$14,903. There was one instance where a voided ticket's corresponding replacement ticket in cash did not have the drivers signature acknowledging the reduction of the ticket from \$51.20 to \$37.00.

**Recommendation B:** We recommend that replacement ticket 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 transaction.

**Northern's Response B:** Northern Recycling has reviewed the procedure for noting and tracking of negative tickets. Scale house staff has been reminded to note any replacement ticket number on the ticket comment section and to make sure that the driver signs the replacement ticket.

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## **EXHIBITS**



## Exhibit A

### Napa-Vallejo Waste Management Authority Status of Accounts Receivable Over 90 Days Per Central Collections December 31, 2016

Account Name	Account Number	Total <sup>1</sup>	Collection Measure <sup>2</sup>
<b>Account 501 - General A/R</b>			
Ashorn Construction	50522	\$ 463	Still attempting to collect
Buchanan Construction	60745	1,671	Creditors claim pending
Forbes & Sons	50593	243	Still attempting to collect
Ghilotti Bros Inc	60820	37	Paid 3/20/17
On Time Maintenance Service	55260	827	Payment plan
Unique Recycling	50761	505	Account in bankruptcy-Claim filed
<b>Subtotal 501 - General A/R</b>		<u>3,746</u>	
<b>Account 501B - No Pay A/R</b>			
Anderson, Tracy	62538	68	Paid by Northern Recycling 3/6/17
<b>Subtotal 501B - No Pay A/R</b>		<u>68</u>	
<b>Account 501C - NSF A/R</b>			
Calmell Carlos A DBA C & C Plumbing	62308	231	Still attempting to collect
Golden Gate Roofing Service	55442	784	Holding-due to judgement on file
Grossi Paul E DBA North Bay Roofing	60494	180	Still attempting to collect
Hernandez, Ruben	57142	678	Holding-due to judgement on file
Morgan Peabody, Ltd.	55396	291	Holding-due to judgement on file
<b>Subtotal 501C - NSF A/R</b>		<u>2,164</u>	
<b>Total Accounts Receivable Over 90 Days</b>		<u>\$ 5,978</u>	

<sup>1</sup> Includes principal and any applicable fees/interest.

<sup>2</sup> Collection measures provided by Central Collections

## Exhibit B

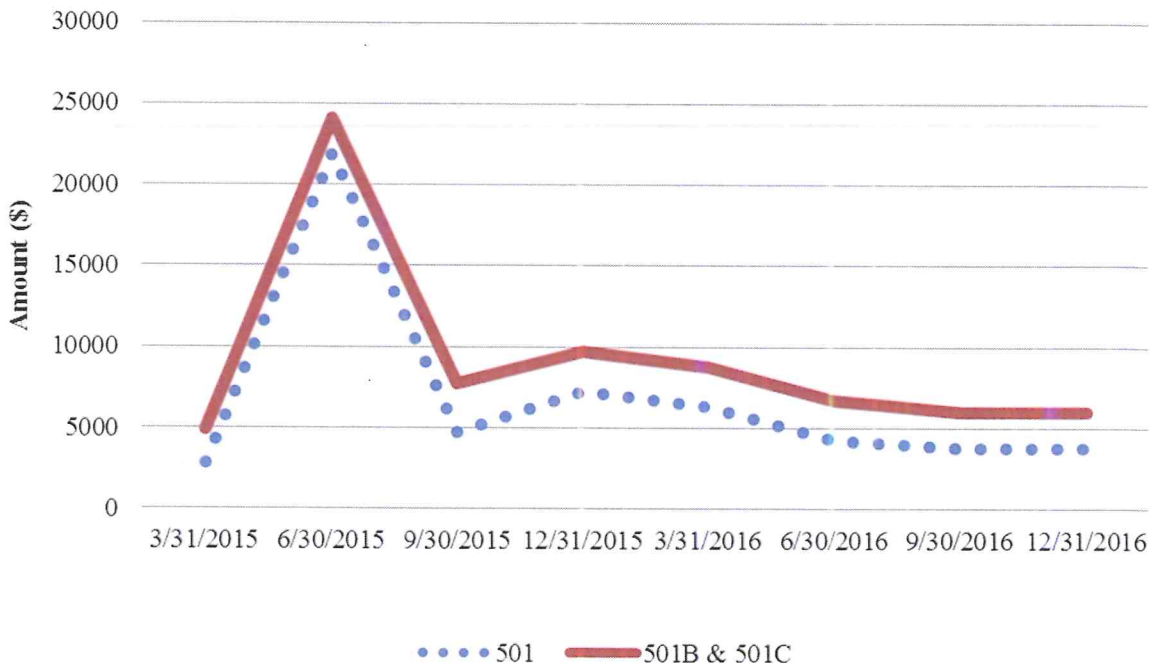
### Napa-Vallejo Waste Management Authority Comparison of Accounts Receivable Over 90 Days Quarters Ended March 31, 2015 through December 31, 2016

Table 1

Quarter Ended	501		501B & 501C		Total	
	# of Accounts	Amount	# of Accounts	Amount	# of Accounts	Amount
3/31/2015	10	2,834	5	2,057	15	4,891
6/30/2015	10	21,926	6	2,163	16	24,089
9/30/2015	6	4,762	9	2,976	15	7,738
12/31/2015	10	7,246	8	2,474	18	9,720
3/31/2016	8	6,301	8	2,474	16	8,775
6/30/2016	4	4,225	8	2,474	12	6,699
9/30/2016	6	3,784	6	2,232	12	6,016
12/31/2016	6	3,746	6	2,232	12	5,978
Average	8	\$ 6,853	7	\$ 2,385	15	\$ 9,238

Historically, delinquent accounts are due to lack of payments on general accounts receivable accounts. The dollar amount of delinquencies historically decreases during the quarter ended March 31<sup>st</sup> due to uncollectible accounts being approved by the Board to be written-off and historically increases in the quarter ended December 31<sup>st</sup>.

**Graph 1**  
**Accounts Receivables Over 90 Days**  
**Quarters Ended March 31, 2015 through December 31, 2016**



## Exhibit C

### Napa-Vallejo Waste Management Authority Analysis of General Ledger Activity October 1, 2016 through December 31, 2016

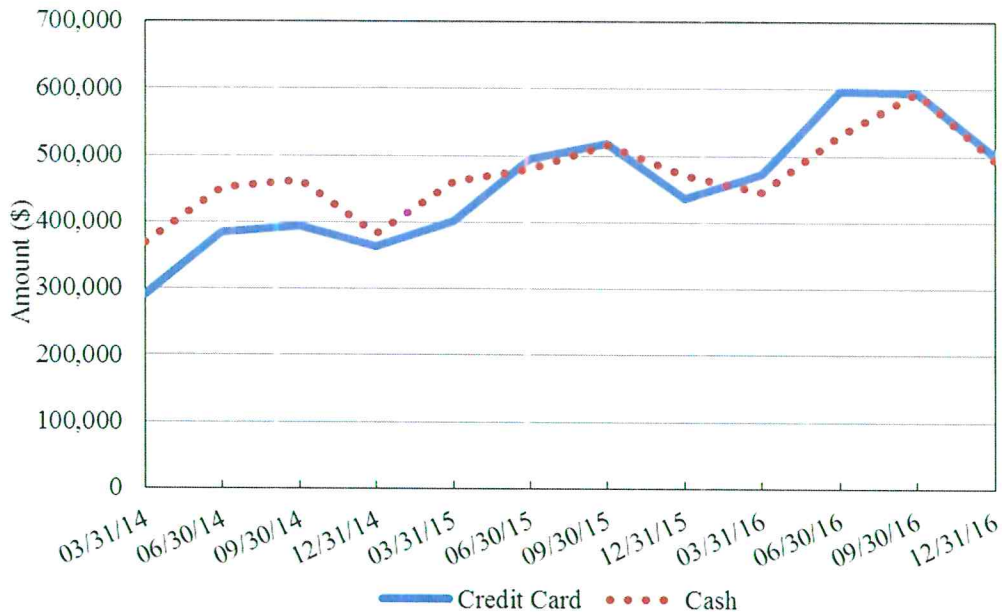
**Table 2**

	General Ledger Total	Components				Other
		Visa / MC	Deposit Slip	Accounts Receivable	Bank Adjustments	
<b>OCTOBER</b>	\$ 1,246,968	\$ 170,823	\$ 172,383	\$ 903,726	\$ -	\$ 37
<b>NOVEMBER</b>	1,321,727	177,940	175,955	968,579	-	(746)
<b>DECEMBER</b>	1,193,342	151,867	145,304	896,596	-	(426)
<b>QUARTER</b>	<u>\$ 3,762,037</u>	<u>\$ 500,630</u>	<u>\$ 493,642</u>	<u>\$ 2,768,901</u>	<u>\$ -</u>	<u>\$ (1,135)</u>
Total Bank Adjustments and Other					<u>\$ (1,135)</u>	

Explanation of Bank Adjustments & Other:	Instances	Amount
Refund/Returned Checks - Non Sufficient Funds (NSF)	6	\$ (1,172)
Other - Admin Fees pd 9/7/2016	1	37
	<u>7</u>	<u>\$ (1,135)</u>

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

**Graph 2  
Revenue Collected at Devlin Road Transfer Station (DRTS)  
Quarters Ended March 3, 2014 through December 31, 2016**



Revenue collected at DRTS decreased approximately \$101,000 for Cash/Checks and decreased approximately \$95,000 for Visa/MC in the quarter ended December 31, 2016 compared to the quarter ended September 30, 2016.

## Exhibit D

### Napa-Vallejo Waste Management Authority Summary of Cash (Shortage) Overage For the Quarter Ended December 31, 2016

Description	Quarter Ended Sep. 30, 2016	Quarter Ended Dec. 31, 2016	Year to Date
Deposit Slips	\$ 598,080	\$ 501,995	\$ 1,100,075
VISA Slips	602,686	509,752	1,112,438
Subtotal	1,200,766	1,011,747	2,212,513
Deposits Per Cash Report	1,200,728	1,012,678	2,213,406
Cash (Shortage) Overage	38	(931)	(893)
Returned Checks *	-	-	-
Returned Checks Paid *	-	-	-
Bank Adjustments	-	-	-
Net Cash (Shortage) Overage	<u>\$ 38</u>	<u>\$ (931)</u>	<u>\$ (893)</u>

**December 31, 2016 shortage is caused by the following:**

	<u>Instances</u>	<u>Total</u>
Overages	13	\$ 16,008
Shortages	18	(16,714)
Short Pay	3	(225)
Shortages Paid	0	-
Refunds to Customers overcharged	0	-
Refund to Customer - Soft-Pak error	0	-
Net Cash (Shortage) Overage	<u>34</u>	<u>\$ (931)</u>

\* Returned checks from businesses with non-sufficient funds.

## Exhibit E

### Napa-Vallejo Waste Management Authority Summary of Tickets with Negative Amounts For Quarters Ended March 31, 2015 to December 31, 2016

Quarter Ended	Cash/Checks		A/R		Total	
	# of Tickets	Amount	# of Tickets	Amount	# of Tickets	Amount
3/31/2015	1	139	41	15,240	42	15,379
6/30/2015	5	785	25	15,531	30	16,316
9/30/2015	7	1,600	18	5,736	25	7,336
12/31/2015	6	467	25	6,499	31	6,966
3/31/2016	4	558	0	-	4	558
6/30/2016	7	890	0	-	7	890
9/30/2016	17	2,109	73	27,540	90	29,650
12/31/2016	35	2,389	38	12,513	73	14,902
Average	10	\$ 1,117	28	\$ 10,382	38	\$ 11,500

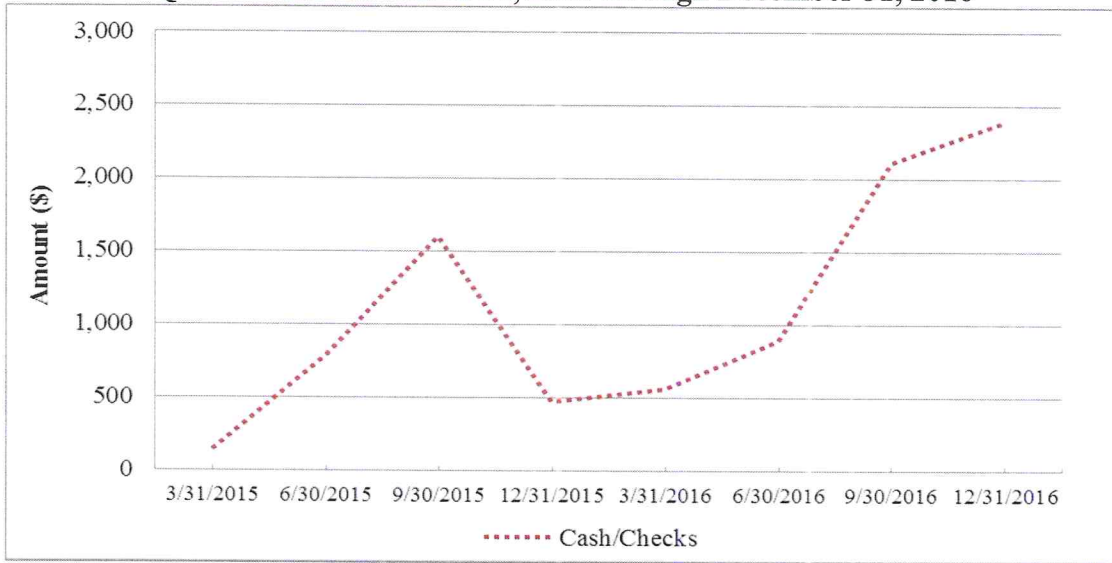
The above table is a summary of negative tickets by transaction type, month, and totals for the quarter ended December 31, 2016 and also includes totals for the seven prior quarters, for comparison.



**Exhibit E  
(Continued)**

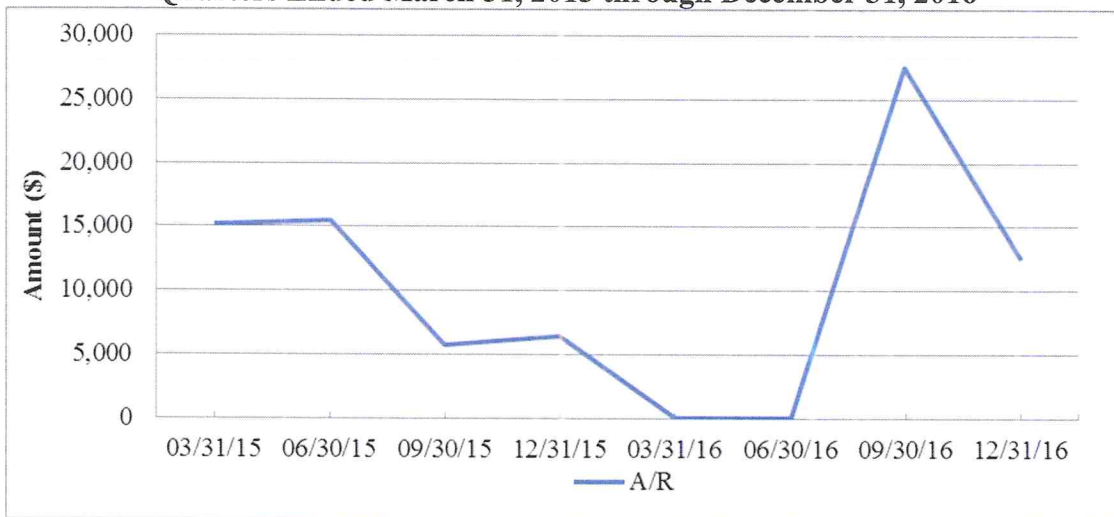
**Napa-Vallejo Waste Management Authority  
Summary of Tickets with Negative Amounts  
For Quarters ended March 31, 2015 to December 31, 2016**

**Graph 3a  
Cash/Check Tickets with Negative Amounts  
Quarters Ended March 31, 2015 through December 31, 2016**



Due to the inherent risk of fraud associated with cash transactions, negative cash/check tickets have been separately shown above. Cash tickets with negative amounts increased significantly during the quarter ended December 31, 2016.

**Graph 3b  
Accounts Receivable (AR) Tickets with Negative Amounts  
Quarters Ended March 31, 2015 through December 31, 2016**



Accounts Receivable tickets with negative amounts Decreased during the quarter ended December 31, 2016.