



A Tradition of Stewardship
A Commitment to Service

AUDITOR-CONTROLLER INTER-OFFICE MEMO

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Date: March 16, 2018

To: Board of Directors
Napa-Vallejo Waste Management Authority

From: Karen Dotson-Querin, CPA
Auditor-Controller *Karen*

Subject: Napa-Vallejo Waste Management Authority Review for the Quarter Ended
September 30, 2017

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 engagement 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 collected, manual tickets issued, 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 September 30, 2017.

Objective

- Determine the accuracy of the revenue reported in the Authority's general ledger for inbound customers;
- Determine if controls associated with fees collected, manual tickets issued, 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; and
- 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; and
- Verify that internal controls are in place over the issuance of tickets.

Summary of Results

No Exceptions

No exceptions were noted for the following procedures:

Accounts Receivable

- Account Balances over 90 Days – As of September 30, 2017, accounts with past due balances over 90 days did not exceed \$10,000.

Revenue

- Analysis of General Ledger Activity – For the quarter ended September 30, 2017, a total of 4.8 million in revenue was received in cash, checks, credit card charges, and payments to accounts receivable.

Internal Controls

- Hand Tag Analysis – During the quarter ended September 30, 2017, 35 hand tags were issued due to the system being down and a power outage. Hand tags were accounted for in SoftPak.
- Same Time In and Out - We noted thirty-eight tickets with the same “Time In” and “Time Out” entries. No unauthorized stored tare weights were noted in the ten tickets sampled.
- Negative Tickets/Void Tickets – During the quarter there were 41 tickets with negative amounts. Reasons for the negative amounts were noted in SoftPak for the ten tickets selected.

Summary of Results (Continued)

Exception - Revenue

Exception: During the quarter we noted there was a net overage of \$487. The overage consisted of credit card refunds not applied to the Authority's bank account for a cumulative amount of \$611 less a cumulative \$124 for other errors, shortages and overages during the September 30, 2017 quarter. See Exhibit for a breakdown.

The Auditor-Controller's office will report the refunds in the calculation of the Cash Over/Short in the quarter the refunds are deducted from the bank account. When the credit card refunds are recognized, then a shortage will most likely occur. Beginning in February 2018, refunds began to be processed through the Authority's bank account. Refunds from March 2017 to January 2018 are still pending recognition as of February 28, 2018.

Recommendation: We recommend the following:

- Notify NVWMA and the Auditor-Controller when refunds from March 2017 to January 2017 have been corrected.
- Continue to provide refund information to the Treasurer-Tax Collector's Office as refunds are issued.

Northern's Response: Northern Recycling will need to present the Authority and the Auditor-Controller's office with a spreadsheet showing all the refunds that have been processed through Northern Recycling Operations and Waste Service bank account. An invoice will also need to be generated and presented to the Authority for reimbursement for the cost of the refunds. Northern Recycling staff will continue to provide all information with regards to any credit card refunds.

Napa County Treasurer's Response: Prior to January 2018, the refunds were not passed through to the bank account, so the Treasurer has not recorded any refund amounts for prior periods. Beginning January 2018, the transfer station has been advising the Treasurer of any refund, and the credit card company is now processing debits to the bank account. For the month of January 2018, the treasurer recorded \$484.59 refunds via a journal entry processed on February 6, 2018. Beginning February 2018, transactions to record any credit card refund will be processed on the date the transactions are recognized in the bank account as a net against the deposit of the same day.

Conclusion

Avenues need to be explored to determine efficient and effective ways for information to be documented on transactions for hand tags, voiding and replacing tickets, and system outages. In the previous quarter, we recommended a coding key to be used in the comment field to minimize the time of entering a ticket and provide an audit trail. This procedure was implemented in January 2018.

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.

Napa-Vallejo Waste Management Authority
Summary of Cash (Shortage) Overage
For the Quarter Ended September 30, 2017

EXHIBIT

<u>Description</u>	<u>Quarter Ended</u> <u>Sep. 30, 2017</u>	<u>Year to Date</u>
Cash	\$ 602,513	\$ 602,513
VISA/MC	819,737	819,737
Subtotal	1,422,250	1,422,250
Deposits per Cash Report	1,421,763	1,421,763
Net Cash (Shortage) Overage	\$ 487	\$ 487
Breakdown of Net Cash (Shortage) Overage		
Other (Overage/Shortage/Short Pays/Errors)	\$ (124)	\$ (124)
Credit Card Refunds	611	611
	\$ 487	\$ 487

As of September 30, 2017, refunds have not yet been deducted from the Bank Account for a cumulative amount of \$1,349.30. Until the Credit Card Company processes the refunds against the correct account, the Authority's General Ledger will continue to be overstated for the amounts.