

County of Napa

Auditor-Controller

Internal Audit Report

Quarterly Monitoring  
Napa-Vallejo Waste Management Authority

For the Quarter Ended June 30, 2020

Report Date: September 18, 2020



A Tradition of Stewardship  
A Commitment to Service

Tracy A. Schulze  
Auditor-Controller

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## Engagement Team

Paul Phangureh, CPA, CGAP	Internal Audit Manager
Marie Nicholas	Senior Auditor
Himmat Bains	Staff Auditor



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**Auditor-Controller**  
1195 Third Street · Room B10  
Napa, CA 94559

Main: (707) 253-4551  
Fax: (707) 226-9065  
[www.countyofnapa.org](http://www.countyofnapa.org)

**Tracy A. Schulze**  
Auditor-Controller

September 18, 2020

Board of Directors  
Napa-Vallejo Waste Management Authority

### Executive Summary

The Internal Audit section of the Napa County Auditor-Controller's Office has completed a quarterly monitoring for Napa-Vallejo Waste Management Authority (Authority) for the quarter ended June 30, 2020.

We are 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.

Based upon the procedures performed, we verified that revenue and account receivable are accurately reported in the Authority's general ledger for inbound customers and internal controls associated with fees collected, manual tickets issued, electronic billing, void and replacement of tickets are adequately designed and implemented.

This report is intended solely for the information and use of the Board of Directors, the Authority's Executive Director, Northern's Manager, and the Treasurer-Tax Collector, and is not intended to be and should not be used by anyone other than these specified parties.

I want to thank the Internal Audit and Devlin Road Transfer Station staff, along with the Authority's management for their expertise and professionalism in conducting this engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. Schulze", written over the printed name.

Tracy A. Schulze  
Auditor-Controller

**County of Napa**  
**Quarterly Monitoring**  
**Napa-Vallejo Waste Management Authority**

**Background and Authority**

The agreement between the Authority, a joint powers agency organized under the laws of the State of California pursuant to Government Code Section 6500 et seq., and Northern Recycling Operations and Waste Services LLC (Northern), a California Limited Liability Company was entered into and executed as of March 1, 2007, and subsequently amended on March 19<sup>th</sup>, 2010.

The Authority is composed of County of Napa and the Cities of Napa, American Canyon and Vallejo, and was formed for the purpose of providing economic coordination of solid waste processing, transfer and disposal services. The Authority has contracted with Northern to operate the Devlin Road Transfer Station (DRTS), pursuant to the provisions of *Public Resource Code section 40059(a)(2)*. The Authority and Northern are authorized to enter into a transfer station operation agreement where Northern will operate DRTS.

**Scope and Objective**

This engagement was conducted in conformance with the *International Standards for the Professional Practice Internal Auditing (Standards)* established by the Institute of Internal Auditors. We have performed a review applicable to the revenue and other elements noted below for the Authority. This engagement is solely to (1) review revenue and accounts receivable associated with inbound customers; and (2) verify internal controls associated with fees collected, manual tickets issued, electronic billing, void and issuance of tickets at DRTS operated by Northern, for the quarter ended June 30, 2020.

The primary objectives of this engagement were to:

- Determine the accuracy of the revenue and accounts receivable reported in the Authority's general ledger for inbound customers
- Determine if internal controls associated with fees collected, manual tickets issued, electronic billing, void and replacement of tickets are adequately designed and implemented

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**Procedures**

We performed the procedures enumerated below:

1. Updated the following process narratives in relation to inbound transactions:
  - a. Accounts Receivables (Devlin Road Transfer Station)
  - b. Account Receivables (Treasurer-Tax Collector Central Collection)
  - c. Scale House
  - d. Kiosk
  - e. Void Ticket
2. On a sampling basis, tested internal controls over Scale House inbound transactions
3. Revenue
  - a. Performed general ledger analysis:
    - Compared the general ledger to the Scale Transaction report for cash over or short for the quarter
    - Verified short pays in excess of \$20 and not collected by Northern are reported to the Treasurer-Tax Collector
    - Included a calculation of the cumulative effect for the year
    - Reviewed bank/book adjustments for accuracy
4. Accounts Receivable
  - a. Reviewed accounts receivable over 90 days past due, and reported if cumulative amount at the end of the quarter exceeds \$10,000

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**Conclusion**

For the quarter ended June 30, 2020, revenue and accounts receivable are accurately reported in the Authority's general ledger for inbound customers and internal controls associated with fees collected, manual tickets issued, electronic billing, void and issuance of tickets are adequately designed and implemented. However, the following observation is noted below along with Internal Audit's recommendations and management's responses:

**Observation**

For the quarter ended June 30, 2020, we noted that a shortage of \$95.45 was primarily due to bank adjustments, correcting deposits, short pays, and clerical errors.

**Recommendation**

We recommend that DRTS continue to monitor the existing system of controls over the cash receipts, specifically:

- Practice dual custody when counting cash drawers (opening and closing)
- Deposit all cash held overnight in a safe
- Close and secure cash drawers or cash boxes when not in use
- Review deposit slips in dual custody before processing the bank deposit
- Implement controls to avoid duplicate credit card and double charged transactions

**Management Response**

The DRTS staff has reviewed the reports findings and have instructed the Scale House staff to follow all recommendations provided by the Auditor Controller's office staff. DRTS office staff will continue to review all daily transactions, daily reconciliations, and short pay forms to minimize any clerical errors.

## Exhibit A

### Napa-Vallejo Waste Management Authority Summary of Cash (Shortage) Overage For the Quarter Ended June 30, 2020

<u>Description</u>	<u>Quarter Ended June 30, 2020</u>	<u>Quarter Ended March 31, 2020</u>	<u>Quarter Ended Dec. 31, 2019</u>	<u>Quarter Ended Sept. 30, 2019</u>	<u>Year to Date</u>
<u>Authority's General Ledger</u>					
Cash	\$ 656,489.13	\$ 543,396.01	\$ 597,203.34	\$ 721,683.73	\$ 2,518,772.21
VISA/MC	1,036,908.53	883,678.95	753,792.12	957,515.21	3,631,894.81
Subtotal	<u>1,693,397.66</u>	<u>1,427,074.96</u>	<u>1,350,995.46</u>	<u>1,679,198.94</u>	<u>6,150,667.02</u>
<u>Northern's Records</u>					
Cash/Check per Northern's Cash Report	657,021.18	543,623.26	598,027.52	721,639.09	2,520,311.05
VISA/MC per Northern's Cash Report	1,036,211.18	883,149.70	753,153.31	956,990.34	3,629,504.53
Subtotal	<u>1,693,232.36</u>	<u>1,426,772.96</u>	<u>1,351,180.83</u>	<u>1,678,629.43</u>	<u>6,149,815.58</u>
Bank Adjustments	<u>(260.75)</u>	<u>(244.55)</u>	<u>100.00</u>	<u>(528.26)</u>	<u>(933.56)</u>
Cash (Shortage) Overage	<u>\$ (95.45)</u>	<u>\$ 57.45</u>	<u>\$ (85.37)</u>	<u>\$ 41.25</u>	<u>\$ (82.12)</u>

