

County of Napa

Auditor-Controller

Internal Audit Report

Quarterly Monitoring  
Napa-Vallejo Waste Management Authority

For the Quarter Ended December 31, 2020

Report Date: March 10, 2021



A Tradition of Stewardship  
A Commitment to Service

Tracy A. Schulze, CPA  
Auditor-Controller

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## Engagement Team

Paul Phangureh, CPA, CIA, CGAP	Internal Audit Manager
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A Tradition of Stewardship  
A Commitment to Service

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**Tracy A. Schulze**  
Auditor-Controller

March 10, 2021

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 December 31, 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 revenues and accounts receivable were accurately reported in the Authority's general ledger for inbound customers and internal controls associated with fees, collections, manual tickets issued, electronic billing, void and replacement of tickets and inbound transactions were adequately designed and implemented. For the quarter ended December 31, 2020, we noted there was a net overage of \$13.94. The cumulative cash overage for the fiscal year 2020-21 is \$31.89.

This report is a matter of public record and is intended solely for the information and use of the Authority's Board of Directors and Executive Director, Northern's Manager, and the Treasurer-Tax Collector.

I want to thank the Internal Audit team 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".

Tracy A. Schulze, CPA  
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.

The primary objectives of this engagement were to:

- Determine the accuracy of revenues and accounts receivable reported in the Authority's general ledger for inbound customers as of quarter ended December 31, 2020.
- Report on net cash (shortage)/overage for quarter end December 31, 2020 and fiscal year 2020-21 cumulative.
- Determine if internal controls associated with fees, collections, manual tickets issued, electronic billing, void and replacement of tickets and inbound transactions are adequately designed and implemented as of quarter ended December 31, 2020.



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**Procedures**

**1. Process Narratives - Inbound Transactions**

- a. Update the following process narratives in relation to inbound transactions:
- Accounts Receivables (at Devlin Road Transfer Station)
  - Account Receivables (at Treasurer's Central Collection Division)
  - Scale Houses
  - Kiosk
  - Void/Replacement Ticket

**2. Internal Controls - Inbound Transactions**

- a. On a sampling basis, test internal controls over inbound transactions

**3. Accounts Receivable**

- a. Verify the accuracy of accounts receivable payments and charges recorded by Treasurer-Tax Collector
- b. Report on any accounts receivable over 90 days past due if the total amount at the end of the quarter exceeds \$10,000

**4. Revenue**

- a. Perform the following:
- Compare the general ledger to the Scale Transaction report for cash (shortage)/overage
  - Verify short pays in excess of \$20, and not collected by Northern, are reported to the Treasurer-Tax Collector
  - Report on cash (shortage)/overage for quarter end and fiscal year cumulative
  - Review bank and book adjustments for accuracy
  - Credit Card Deposit Timing Analysis

**5. Internal Controls**

- a. On a sampling basis, test internal controls over the following:
- Ticket Rate - Perform ticket rate testing for all SoftPak transactions
  - Hand Tags - Perform ticket rate testing for all manual transactions
  - Electronic Billing - Verify customers receiving electronic invoices are making payments on time
  - Void/Replacement Tickets - Review voided tickets for cash payments, specifically when replacement tickets are issued for a lower amount
  - Missing Tickets - Investigate any missing tickets that are out of the pre-numbering sequence

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**Conclusion**

For the quarter ended December 31, 2020, revenues and accounts receivable were accurately reported in the Authority's general ledger for inbound customers and internal controls associated with fees, collections, manual tickets issued, electronic billing, void and replacement of tickets and inbound transactions were adequately designed and implemented. For quarter ended December 31, 2020, we noted there was a net cash overage of \$13.94. The cumulative cash overage for the fiscal year 2020-21 is \$31.89.

**Observation**

For the quarter ended December 31, 2020, we noted that an overage of \$13.94 was primarily due to bank adjustments, correcting deposits, short pays, and clerical errors. See Exhibit A on page 6 for a Summary of Cash Overages/Shortages.

**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

**Authority's Response**

Northern Recycling reviews all transactions daily with the Assistant Office Manager and Scale House Supervisor. They double check all scale tickets, daily reconciliations, deposit slips, and conduct meetings with the Scale House Staff and the office management team on a regular basis to review any issues. Northern Recycling also provide regular training and performance reviews.

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**Conclusion** (Continued)

**Observation**

For the quarter ending December 31, 2020, we obtained information from Treasurer's Central Collections regarding the status of accounts at least 90 days past due. The Treasurer's Central Collection Division has the option of requesting the Authority's Board of Directors approval to write-off the uncollectible accounts twice a year, historically in December and June. As of December 31, 2020, twenty-two accounts had balances at least 90 days past due for a total amount of \$10,302. Refer to Exhibit B on page 7 for a detailed list of accounts at least 90 days past due.

**Recommendation**

We recommend the Treasurer's Central Collections Division continue to pursue collection of past due amounts on behalf of the Authority. If any accounts are determined to be uncollectable, request the Authority's Board of Directors to approve write-offs.

**Treasurer's Response**

The Treasurer-Tax Collector concurs with this recommendation. In reviewing the delinquent accounts and balances, we will work with Authority's staff to develop a small balance write-off policy that allows Central Collections to immediately write-off balances for which collection efforts are more costly than the outstanding balance. In addition, we will work with Authority's staff to review outstanding balances in May and November to determine if additional balances should be deemed uncollectible and written-off in a more timely manner.

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**Exhibit A – Summary of Cash (Shortage) Overage**

<b>Description</b>	<b>For Quarter Ended September 30, 2020</b>	<b>For Quarter Ended December 31, 2020</b>	<b>Year-to-Date</b>
<i>Authority's General Ledger</i>			
Cash	\$ 694,044.61	\$ 632,694.98	\$ 1,326,739.59
VISA/MC	1,125,668.14	987,080.24	2,112,748.38
<b>Subtotal</b>	<b>1,819,712.75</b>	<b>1,619,775.22</b>	<b>3,439,487.97</b>
<i>Northern's Records</i>			
Cash/Check per Northern's Cash Report	694,560.80	632,941.92	1,327,502.72
VISA/MC per Northern's Cash Report	1,125,348.40	986,857.36	2,112,205.76
<b>Subtotal</b>	<b>1,819,909.20</b>	<b>1,619,799.28</b>	<b>3,439,708.48</b>
Bank Adjustments	(214.40)	38.00	(176.40)
<b>Cash (Shortage) Overage</b>	<b>\$ 17.95</b>	<b>\$ 13.94</b>	<b>\$ 31.89</b>



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**Exhibit B – Accounts Past Due (90 Days and over)**

<u>Account Name</u>	<u>Account Number</u>	<u>Past Due as of December 31, 2020</u>	<u>Collection Measure<sup>1</sup></u>
Emil Meyers Construction, Inc.	50588	\$ 130.31	Continue collection procedures
JHL Commercial Properties	50627	1.00	Paid 1/13/21
Tony's Hauling Service	50754	0.36	Pymt short-Continue collection
Wine Country Kitchens	52628	581.87	Continue collection procedures
Gagetta Construction Co.	55087	0.60	Pymt short-Continue collection
Community Playgrounds, Inc.	57919	0.22	Pymt short-Continue collection
Vallejo, Mobile Estates, LLC	58581	0.06	Pymt short-Continue collection
RR Construction	60248	0.72	Continue collection procedures
A & J Hauling	61349	0.90	Pymt short-Continue collection
Bay Area Underpinning, Inc.	61730	0.03	Pymt short-Continue collection
Roberson, Richard Jr.	61936	0.87	Pymt short-Continue collection
West Coast Floor / Martinez, Jesus	62849	(17.66)	Refunded 11/30/20
Cemco, Inc.	63081	429.85	Continue collection procedures
Northern Pacific Corporation	63104	4,140.19	Continue collection procedures
Erb and Sons General Contracting, Inc.	63109	436.49	Continue collection procedures
Don Nichols Plumbing	63171	0.50	Pymt short-Continue collection
Green Hauling	63343	3,695.06	Continue collection procedures
Xcede Construction	63371	37.19	Continue collection procedures
Starch Concrete, Inc.	63467	1.00	Pymt short-Continue collection
<b>Subtotal 501 - General A/R</b>		<u>9,439.56</u>	
Parsons, Christopher B.	63544	38.45	Continue collection procedures
<b>Subtotal Account 501B - General A/R</b>		<u>38.45</u>	
Pesa Construction, Inc.	63075	704.15	Continue collection procedures
Reano Brothers Windows	63722	120.00	Paid 1/21/21
<b>Subtotal Account 501C - General A/R</b>		<u>824.15</u>	
<b>Total Accounts Receivable Past Due</b>		<u><u>\$ 10,302.16</u></u>	

<sup>1</sup> Collection measures provided by Central Collections on February 3, 2021.

**Note:** Multiple accounts with small balances due to short-pays.

