



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 10/2/2014

Agenda Placement: 7A

Napa-Vallejo Waste Management Authority Board Agenda Letter

TO: Board of Directors

FROM: Richard Luthy - Executive Director
Napa-Vallejo Waste Management Authority

REPORT BY: Karen Querin, Audit Manager - 707-253-4588

SUBJECT: Napa-Vallejo Waste Management Authority - Internal Audit Report for the Quarter Ended June 30, 2014

RECOMMENDATION

DRTS QUARTERLY FINANCIAL AUDIT

REQUESTED ACTION: Executive Director requests acceptance of Napa-Vallejo Waste Management Authority -- Internal Audit Report for the quarter ended June 30, 2014.

EXECUTIVE SUMMARY

Staff recommends acceptance of the Internal Audit Report 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 operated by Northern Recycling Operations & Waste Services, LLC (Northern), for the quarter ended June 30, 2014.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of

Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

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 operated by Northern Recycling Operations & Waste Services, LLC (Northern), for the quarter ended June 30, 2014.

Summary of the Engagement:

For the purpose of our review, items requiring notification to the Board and management have been categorized as follows:

Results – A transaction or group of transactions that warrant notification to the Board and management but that 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 June 30, 2014, we noted the following results and exceptions as identified below by Category and Report Section:

Accounts Receivable

I Result - Account Balances over 90 Days – As of June 30, 2014, twelve (12) accounts had balances over 90 days past due for an amount of \$5,333. See Exhibit A on page 7 for a detail list and Exhibit B on page 8 for the history of accounts over 90 days from July 1, 2012 to June 30, 2014.

Revenue

Analysis of General Ledger Activity

II.A. Result - A total of \$3 million in revenue was received in cash, checks, credit card charges and charges to accounts receivable. See Exhibit C on page 9 of the report for the detail results of the analysis.

Shortage/Short Pays

II.B Exception - During the quarter, two (2) short pays and one (1) bank adjustment occurred for the cumulative amount of \$102.34. In addition, there were four (4) transactions resulting in overages and two (2) transactions resulting in shortages for a net shortage of \$62.34. The total shortage for the quarter was \$40. All of the above transactions were recorded on the Daily Reconciliation Form. See Exhibit D on page 10 of the report for the detail of Net Cash (Shortages) Overages for the fiscal year ending June 30, 2014.

Internal Controls

III.A Exception - Same Time In and Out – We noted nine (9) tickets with the same “Time In” and “Time Out” entries for a cumulative amount of \$475 for inbound materials that did not indicate the cause of why the time was the same

within the comment field of SoftPak or on the Daily Reconciliation Forms. Tickets for multiple line transactions, voids, replacements, non-weighed items, Collection Contractors and public agencies were excluded from the procedure.

III.B Exception - Missing Tickets – During the quarter, there were thirty-five (35) tickets missing on the Scale Transaction Report. This is a slight increase of eight (8) tickets from the prior quarter. Twenty-three (23) out of the thirty-five (35) tickets were not noted on the system log or on the Daily Reconciliation Forms.

III.C Exception - Negative Tickets – During the quarter there were fifty-five (55) tickets with negative amounts for a cumulative amount of \$12,529. Fourteen (14) of the fifty-five (55) tickets were not noted on the Daily Reconciliation Form or within the comment field of the Void Ticket report within the SoftPak system used by Northern. See Exhibit E on page 11 and 12 of the report for additional analysis.

Please see the attached Internal Audit Report for a detail description of the results, exceptions, recommendations, and management responses noted during the review of the quarter ended June 30, 2014. Please note that management's responses to the exceptions have been included; however, we did not review the responses, and accordingly express no opinion on them.

SUPPORTING DOCUMENTS

A . NVWMA Quarterly Internal Audit Report for 6-30-14

Executive Director: Approve

Reviewed By: Martha Burdick