



**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

Agenda Date: 10/5/2017

Agenda Placement: 8A

## 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 December 31, 2016

---

### **RECOMMENDATION**

#### **DRTS QUARTERLY INTERNAL AUDIT**

REQUESTED ACTION: Executive Director requests acceptance of Napa-Vallejo Waste Management Authority -- Internal Audit Report for the quarter ended December 31, 2016.

### **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 December 31, 2016.

### **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*. Napa County Auditor-Controller Internal Audit Section performed a review applicable to the internal controls over the areas 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 December 31, 2016.

### **Summary of the Engagement**

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, such as a revision of procedures.

**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 as identified below by Category and Report Section:

### **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 a 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 the 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 page 12 and 13 for additional analysis.

Please see the attached Internal Audit Report for a detailed description of the results, exceptions,

recommendations, and management responses for the quarter ended December 31, 2016. 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.

Status of March 31, 2017 and June 30, 2017 Quarters

March 31, 2017 - The report draft has been issued and we are awaiting responses to the findings. One of the key concerns addressed in the report is that credit card refunds issued to customers in March 2017 have not been recognized in the records of the Authority. Prior to the change of the credit card processing company in March 2017, the refunds were transmitted to the Treasurer's office by a reduction in the settlement report of the credit card revenue.

June 30, 2017 - Analysis of the quarter is underway and is reflecting similar concerns on credit card refunds.

**SUPPORTING DOCUMENTS**

A . NVWMA Report for the Quarter Ended December 31, 2016

Executive Director: Approve

Reviewed By: Martha Burdick