



**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

Agenda Date: 11/2/2017

Agenda Placement: 8A

## Napa-Vallejo Waste Management Authority Board Agenda Letter

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**TO:** Board of Directors

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

**REPORT BY:** Richard Luthy, Executive Director, Napa-Vallejo Waste Management - 707-299-1314

**SUBJECT:** Napa-Vallejo Waste Management Authority - Internal Audit Report for the Quarter Ended March 31, 2017

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### **RECOMMENDATION**

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

REQUESTED ACTION: Executive Director requests acceptance of Napa-Vallejo Waste Management Authority -- Internal Audit Report for the quarter ended March 31, 2017.

### **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 March 31, 2017.

### **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 March 31, 2017.

### **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 March 31, 2017, 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 March 31, 2017, fourteen accounts had balances over 90 days past due for an amount of \$6,322. See Exhibit A on page 11 for a detail list and Exhibit B on page 12 for the quarterly history of accounts over 90 days from April 1, 2015 to March 31, 2017.

**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 13 for the detail results of the analysis.

**II.B Exception: Cash (Shortage) Overage** – During the quarter there were four overages and seven shortages as a result of footing errors, a deposit error and drawer shortages. There were two short pays occurrences and one occurrence was paid. One customer was overcharged on a credit card and refunded. Additionally, there were ten instances where Central Collections input the incorrect date and description for cash and credit card deposits. The total net overage was \$405. However, the overage is potentially offset by the amount of credit card refunds of \$508 that have not yet been recognized in the Authority's General Ledger.

**II.C Result: Accounts Receivable Analysis** – We noted a vendor who was set up incorrectly in the system as an inbound customer, resulting in a charge of \$928. In addition, we noted that an inbound customer's account did not agree to the amount on the Scale Transaction Report for a difference of \$578 due to a clerical error of voiding a ticket from July 2007.

**III.A Exception: Hand Tag Analysis** – During the quarter ended March 31, 2017, 144 hand tags were issued as a result of printers not working and a failure in the SoftPak network connection. We noted two Hand Tags that were

incorrectly recorded on the Scale Transaction Report and one Hand Tag that was not listed on the Scale Transaction Report.

**III.B Exception: Same Time In and Out** - We noted twenty-eight tickets with the same "Time In" and "Time Out" entries for a cumulative amount of \$1,382. The Scale Transaction report did not indicate the cause of why the time was the same within the comment field nor did the information appear on the Daily Reconciliation Forms.

**III.C Exception: Negative Tickets/Void Tickets** – During the quarter there were 109 tickets with negative amounts for a cumulative amount of \$47,102. Twelve of the voided tickets were not noted on the Daily Reconciliation Form for the cumulative amount of \$3,733. See Exhibit E on pages 15 and 16 for additional analysis..

**III.D Exception: Missing Ticket Testing** – During the quarter we noted that a replacement ticket was back dated for the previous quarter. The remaining missing tickets were either test tickets, voided tickets or tickets that were skipped in the system.

Please see the attached Internal Audit Report for a detailed description of the results, exceptions, recommendations, and management responses for the quarter ended March 31, 2017. 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

March 31, 2017 - We are awaiting feedback to determine why the credit card refunds issued to customers 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 . Quarterly Audit Report for QTE March 31 2017

Executive Director: Approve

Reviewed By: Martha Burdick