



**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

Agenda Date: 2/5/2015

Agenda Placement: 7A

## 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:** Karen Querin, Audit Manager - 707-253-4588

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

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### **RECOMMENDATION**

#### **DRTS QUARTERLY FINANCIAL AUDIT**

REQUESTED ACTION: Executive Director requests acceptance of Napa-Vallejo Waste Management Authority -- Internal Audit Report for the quarter ended September 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 September 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 September 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 September 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 September 30, 2014, twelve (12) accounts had balances over 90 days past due for an amount of \$4,936. See Exhibit A on page 11 for a detail list and Exhibit B on page 12 for the history of accounts over 90 days from October 1, 2012 to September 30, 2014.

### **Revenue**

#### **Analysis of General Ledger Activity**

II.A. **Result** - A total of \$3.4 million in revenue was received in cash, checks, credit card charges and charges to accounts receivable. See Exhibit C on page 13 of the report for the detail results of the analysis.

#### **Shortage/Short Pays**

II.B.1 **Exception** - During the quarter, three (3) overages, four (4) shortages, nine (9) short pays and five (5) payments of short pays occurred for the cumulative shortage of \$227.96. Five (5) of the above transactions were not recorded on the Daily Reconciliation Form; however, one (1) of the five (5) was recorded on the "No Pay Summary". See Exhibit D on page 14 for the detail of Net Cash (Shortages) Overages for the quarter ending September 30, 2014.

#### **No Pay Summary**

II.B.2 **Exception** - July and August 2014 No Pay Summary reports contained three (3) posting errors for an aggregate amount of \$117.86. In addition, the variance analysis indicated that two (2) short pays occurred during the month of September, but no report was provided.

**Internal Controls**

- III.A Exception - Ticket Accuracy** – We noted nine (9) tickets with incorrect rates assigned to them. Eight (8) of the nine (9) errors occurred on July 1, 2014 and resulted in accounts receivable customers being under charged by \$26.31. The ninth (9th) error pertaining to a difference of \$1 for a special handling fee occurred on September 30, 2014. The error was identified by Northern and a billing adjustment was submitted to the Treasurer on October 3, 2014 for the \$1.
- III.B Exception - Same Time In and Out** – We noted seventeen (17) tickets with the same “Time In” and “Time Out” entries for a cumulative amount of \$729 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 voids, replacements, non-weighed items, Collection Contractors and public agencies were excluded from the procedure.
- III.C Exception - Missing Tickets** – During the quarter, there were fourteen (14) tickets missing on the Scale Transaction Report. This is a decrease of twenty-one (21) tickets from the prior quarter.
- III.D Exception - Negative Tickets** – During the quarter there were two hundred twenty-one (221) tickets with negative amounts for a cumulative amount of \$46,233. See a breakdown of the exceptions on page 9. See Exhibit E on page 15 and 16 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 September 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 Report for September 30, 2014

Executive Director: Approve

Reviewed By: Martha Burdick