



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 4/5/2018

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 Reports for the Quarters Ended June 30, 2017 and September 30, 2017

RECOMMENDATION

DRTS QUARTERLY INTERNAL AUDIT

REQUESTED ACTION: Executive Director requests acceptance of Napa-Vallejo Waste Management Authority -- Internal Audit Reports for the quarters ended June 30, 2017 and September 30, 2017.

EXECUTIVE SUMMARY

Staff recommends acceptance of the Internal Audit Reports 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 quarters ended June 30, 2017 and September 30, 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

These engagements were conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Napa County Auditor-Controller Internal Audit Section performed reviews applicable to the internal controls over the areas noted below for the Napa-Vallejo Waste Management Authority (Authority). These reviews are 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 quarters ended June 30, 2017 and September 30, 2017.

Per our engagement letter with the Authority for the fiscal year 2017/2018, risk was reassessed and procedures were modified. As a result of these changes the report was modified to place emphasis on high risk and material concerns.

Summary of the Engagement

For the purpose of our reviews, 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 quarters ended June 30, 2017 and September 30, 2017, we noted the following results and exceptions as identified below by Category of Accounts Receivable (I.), Revenue (II.), and Internal Controls (III.):

I. Result: Account Balances over 90 Days – As of June 30, 2017, seventeen accounts had balances over 90 days past due for an amount of \$6,087. 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 July 1, 2015 to June 30, 2017. Based on our modified procedures for the quarter ended September 30, 2017, and as noted above in the 2nd paragraph, no further review was performed on Account Balances over 90 Days as they did not exceed \$10,000.

II.A Result: Analysis of General Ledger Activity – A total of \$3.7 and \$4.8 million in revenue was received in cash, checks, credit card charges, and payments to accounts receivable during the quarters ended June 30, 2017 and September 30, 2017, respectively. See Exhibit C on page 10 for the detail results of the analysis of the June 30, 2017 quarter.

II.B Exception: Cash (Shortage) Overage – **QTE - June 30, 2017** - There was a total net overage of \$34 for the quarter, which consisted of \$230 in overages from credit card refunds not applied to the Authority's bank account, and a net shortage of \$196 as a result of other errors, shortages and overages. **QTE - September 30, 2017** - There was a total net overage of \$487 for the quarter, which consisted of \$611 in credit card refunds pending recognition in the Authority's financial records, netted against other errors, shortages and overages for a total of \$124.

II.C Result: Hand Tag Analysis – **QTE - June 30, 2017** - Two hundred ninety-four (294) hand tags were issued primarily on May 17, 2017 as a result of a software failure in the newly installed kiosks. **QTE - September 30, 2017**

- Thirty-five (35) hand tags were issued during the quarter as a result of the software being down and a power outage.

III.A Exception: Same Time In and Out - We noted tickets with the same "Time In" and "Time Out" entries for the quarters ended June 30, 2017 and September 30, 2017; twenty-four (24) tickets for the quarter ended June 30, 2017 and thirty-eight (38) tickets for the quarter ended September 30, 2017. 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.B Result: Negative Tickets/Void Tickets – QTE - June 30, 2017 - There were seventy-one (71) tickets for the quarter ended June 30, 2017. **QTE - September 30, 2017** - There were forty-one (41) tickets for the quarter ended September 30, 2017. See Exhibit E on pages 12 and 13 for additional analysis for the quarter ended June 30, 2017.

Please see the attached Internal Audit Reports for a detailed description of the results, exceptions, recommendations, and management responses for the quarters ended June 30, 2017 and September 30, 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

QTE - December 31, 2017 - Analysis of the quarter is underway and is reflecting similar concerns on credit card refunds. A review of the procedures and controls in place for the processing of revenues and other key risk areas will be performed. Based on discussions with the Treasurer's Office, Credit Card Refunds commenced being posted to the Authority's records in February 2018.

SUPPORTING DOCUMENTS

A . NVWMA Qtrly Report 06-30-17

B . NVWMA Qtrly Report 09-30-17

Executive Director: Approve

Reviewed By: Martha Burdick