



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 5/1/2014

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: Marie Nicholas, Accountant-Auditor II - 253-4977

SUBJECT: Napa-Vallejo Waste Management Authority - Internal Audit Report for the Quarter Ended September 30, 2013

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, 2013.

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, 2013.

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, 2013.

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, 2013, 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, 2013, eighteen (18) accounts had balances over 90 days past due for an amount of \$7,038.
- II.A **Result** - Analysis of General Ledger Activity - See Exhibit B on page 10 of the attached report for the results of the analysis.
- II.B **Exception** - Cash Shortage - Seventeen (17) customers were not charged due to a computer software system malfunction for an aggregate amount of \$726. In addition, a \$29 input error increased the quarterly shortage to \$755.

Internal Controls

- III.A **Exception** - Same Time In and Out – During the quarter there were six (6) tickets with the same “Time In” and “Time Out” that were not Collection Contractors or public agencies for a cumulative amount of \$350.
- III.B **Result** - Negative Tickets - During the quarter there were fifty-two (52) tickets with negative amounts for a cumulative amount of \$12,354. There were seventeen (17) instances where the comment was not noted on the Daily Reconciliation Form.
- III.C **Exception** - Ticket Rate Testing - During the quarter there were ten (10) tickets that were not charged the appropriate rate resulting in an undercharge of \$32.
- III.D **Exception** - Out of Sequence/Missing Tickets - During the quarter, there were sixty-one (61) tickets issued out of sequence and seventy-eight (78) missing tickets on the Scale Transaction Report.

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, 2013. Please note that

management's responses to the exception 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 9-30-13

Executive Director: Approve
Reviewed By: Martha Burdick