



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 7/10/2014

Agenda Placement: 7B

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 March 31, 2014

RECOMMENDATION

DRTS QUARTERLY FINANCIAL AUDIT

REQUESTED ACTION: Executive Director requests acceptance of Napa-Vallejo Waste Management Authority -- Internal Audit Report for the quarter ended March 31, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 2014, fourteen (14) accounts had balances over 90 days past due for an amount of \$5,981. See Exhibit A of the attached report for a detail list.

Revenue

Analysis of General Ledger Activity

- II.A.1 **Result** - A total of \$2.5 million in revenue was received in cash, checks, credit card charges and charges to accounts receivable during the quarter. See Exhibit B on page 8 of the attached report for the results of the analysis.
- II.A.2 **Exception** - There were twelve (12) instances of deposits that did not have the transaction date entered as reference information within the general ledger for an aggregate amount of \$34,208.70.
- II.A.3 **Exception** - General Ledger descriptions on two (2) different days for a total of six (6) transactions with an aggregate value of \$7,233.47 were incorrect.

Shortage/Short Pays

- II.B **Exception** - During the quarter, one (1) short pay occurred in the amount of \$34.00. In addition, there were three (3) transactions resulting in overages and three (3) transactions resulting in shortages for a net shortage of \$179.56. The total shortage for the quarter was \$213.56. Four (4) of the eight (8) transactions were not recorded on the Daily Reconciliation Form.

Internal Controls

- III.A Exception - Same Time In and Out** – We noted five (5) tickets with the same “Time In” and “Time Out” entries for a cumulative amount of \$228 for inbound materials that did not indicate the cause of why the time was the same within the comment field. Tickets for voids, replacements, non-weighed items, Collection Contractors and public agencies were excluded from the procedure.
- III.B Result - Negative Tickets** – During the quarter there were nineteen (19) tickets with negative amounts for a cumulative amount of \$5,629. All nineteen (19) tickets were noted on the Daily Reconciliation Form.
- III.C Exception - Missing Tickets** - During the quarter, there were twenty-seven (27) tickets missing on the Scale Transaction Report. This is a reduction of fifty (50) tickets from the prior quarter.

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 March 31, 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 Internal Audit Report for 3-31-14

Executive Director: Approve

Reviewed By: Martha Burdick