



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 7/9/2015

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 December 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 December 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 December 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 Regulation 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 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 December 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 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 December 31, 2014, twelve (12) accounts had balances over 90 days past due for an amount of \$4,643. See Exhibit A on page 8 for a detail list and Exhibit B on page 9 for the history of accounts over 90 days from January 1, 2013 to December 31, 2014.

Revenue

II.A. **Result - Analysis of General Ledger Activity** - 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 10 of the report for the detail results of the analysis.

II.B. **Exception - Overages/Shortage/Short Pay/Bank Adjustment** - During the quarter, three (3) overages, one (1) shortage, one (1) short pay and one (1) bank adjustment occurred for the cumulative shortage of \$7. Three (3) of the above transactions were recorded five (5) to nine (9) days after the transaction occurred. See Exhibit D on page 11 for the detail of Net Cash (Shortages) Overages for the quarter ending December 31, 2014.

Internal Controls

III.A. **Exception - Same Time In and Out** - We noted ten (10) tickets with the same "Time In" and "Time Out" entries for a cumulative amount of \$679 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. Six (6) of the ten (10) tickets were for cash customers. Tickets for voids, replacements, non-weighed items, Collection Contractors and public agencies were excluded from the procedure.

III.B. **Exception - Negative Tickets** - During the quarter there were two hundred ninety-eight (298) tickets with negative amounts for a cumulative amount of \$77,057.

The following exceptions were reportable:

- | Timeliness - Five (5) tickets voided on December 30, 2014 were not reported until January 5, 2015.
- | Driver Signature Missing - One (1) ticket issued in October 2014 did not have the driver's signature on the replacement ticket. The difference between the original ticket and the replacement ticket was \$26.20.
- | Not Reported on Daily Reconciliation Form - Seven (7) tickets were recognized on the Void report but they were not recognized on the Daily Reconciliation Form

Further breakdown of the

remaining

tickets can be found on page 6. See Exhibit E on page 12 and 13 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 December 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 Report for the Quarter Ended December 31, 2014

Executive Director: Apprc

Reviewed By: Martha Burd