



A Tradition of Stewardship
A Commitment to Service

Napa-Vallejo Waste Management Authority

Internal Audit Report

For the Quarter Ended March 31, 2013

Issued by
AUDITOR-CONTROLLER
Internal Audit Section
September 25, 2013

NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY

TABLE OF CONTENTS

	<u>Page</u>
<u>Executive Summary</u>	1
<u>Results and Exceptions</u>	
I. Accounts Receivable	4
II. Revenue.....	4
III. Internal Controls	5
<u>Exhibits</u>	
Exhibit A – Status of Accounts Receivable Over 90 Days	7
Exhibit B – Analysis of General Ledger Activity	8
Exhibit C – Summary of Cash (Shortage) Overage	9
Exhibit D – Additional Information – Tickets with Negative Amounts.....	10
Exhibit E – Comparison of Accounts Receivable Over 90 Days.....	12



A Tradition of Stewardship
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Auditor-Controller

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Tracy A. Schulze
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EXECUTIVE SUMMARY

Board of Directors
Napa-Vallejo Waste Management Authority
1195 Third Street, Room 201
Napa, California 94559

Scope

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, 2013.

Objective

The objective of our review was to:

- Provide the Authority with information on exceptions and additional information resulting from our engagement.
- Determine the accuracy of the accounts receivable maintained by the Treasurer-Tax Collector's Office on behalf of the Authority.
- Determine the accuracy of the revenue reported in the Authority's general ledger for inbound customers.
- Determine if controls associated with fees, manual tickets, stored tare weights, voids and issuance of tickets at Devlin Road Transfer Station are being maintained to protect the integrity of the revenues reported to the Authority.

Procedures

Our engagement included the following procedures:

- Evaluate accounts receivable activity and balances;
- Verify that the revenue has been posted accurately and timely to the general ledger;
- Verify that all tickets have been properly charged;
- Verify that the proper internal controls are in place over the issuance of tickets;
- Examine a sample of transactions to determine the reliability of the Scale Transaction Report;
- Examine a sample of manual transactions (hand tags) to determine if manual transactions were properly recorded; and
- Provide a summary of the results to the Board of Directors and the Executive Director of the Napa-Vallejo Waste Management Authority.

Summary of Results and Exception

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, 2013, we noted the following results and exception:

Report Section

- I.A Results - Account Balances over 90 Days** – As of March 31, 2013, seventeen (17) accounts had balances over 90 days past due and one (1) account had a refund due for over 90 days for a cumulative amount of \$5,944.
- II.A Results - Deposit Corrections** – The Treasurer-Tax Collector corrected posting errors for the revenue recorded in the quarter ended December 31, 2012 for a cumulative increase of \$59,520.36.
- II.B Results - Shortage/Short Pays** – During the quarter one (1) payment for a short pay occurred in the amount of \$10.56 causing an overage for the quarter.
- III.A Exception - Same Time In and Out** – During the quarter there were twenty-two (22) tickets with the same “Time In” and “Time Out” that were not Collection Contractors or public agencies for a cumulative amount of \$30,844.
- III.B Results - Negative Tickets** – During the quarter there were twenty-three (23) tickets with negative amounts for a cumulative amount of \$6,369.

Detailed information of the reported results, exception, and recommendation can be found starting on page 4.

Conclusion

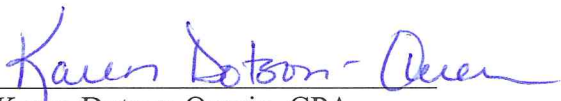
We determined that Northern Recycling Operations & Waste Services, LLC currently owes Napa-Vallejo Waste Management Authority \$32.36 for cash shortages occurring during the period of July 1, 2012 to March 31, 2013. The cumulative shortage for the fiscal year ending June 30, 2013 is due to Napa-Vallejo Waste Management Authority upon the receipt of a letter from the Executive Director of NVWMA in accordance with the conditions set forth in the Agreement between Northern Recycling Operations & Waste Services, LLC and Napa-Vallejo Waste Management Authority.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on specified elements, accounts or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

A response to the exception identified in our report has been provided by Northern. We did not audit these responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors and the Executive Director of the Napa-Vallejo Waste Management Authority and the Manager of the Devlin Road Transfer Station and is not intended to be used by anyone other than these specified parties.

Tracy A. Schulze
Auditor-Controller

By 
Karen Dotson-Querin, CPA
Audit Manager

September 25, 2013

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
FOR THE QUARTER ENDED MARCH 31, 2013**

RESULTS AND EXCEPTIONS

I. ACCOUNTS RECEIVABLE

A. Procedure: We obtained information from Central Collections regarding the status of accounts 90 days and over past due. The Treasurer's Central Collection Division may request Board approval to write-off the uncollectible accounts twice a year, historically in December and June.

Results A: Account Balances over 90 Days – All accounts over 90 days and their status have been presented in Exhibit A on page 7 for an aggregate amount of \$5,944, including fees and interest, which is a decrease of \$4,123 compared to the prior quarter balance of \$10,067. See Exhibit A on page 7 for a detailed listing of the "Status of Accounts Receivable over 90 Days". Also See Exhibit E on page 12 for historical data and trends of the accounts receivable balances over 90 days.

Treasurer's Response A: See Exhibit A for Treasurer's Collection Measures.

II. REVENUE

A. Procedure: We completed a comparison of the general ledger activity to the deposit slip information submitted by DRTS for the quarter ended March 31, 2013. We also verified the timeliness of transmitting the deposit information and recording the revenue in the proper account. We summarized our comparison in Exhibit B on page 8 ("Analysis of General Ledger Activity"). Exhibit B also includes a graph depicting the quarterly revenue collected by DRTS from cash and credit card transactions over the last twelve quarters.

Results A: Deposit Corrections – During the quarter ended March 31, 2013, we noted two journal entries were posted to the general ledger increasing revenue by \$59,520.36. The journal entries were related to posting errors in the prior quarter which were identified and corrected by Central Collections.

B. Procedure: Using the "Scale Transaction Reports," we summarized the total cash, check, and credit card payments for each day and calculated the monthly total. We completed a comparison of the payments per the Scale Transaction Report to the payments per the deposit information for the quarter ended March 31, 2013. We have summarized our comparison and results in Exhibit C on page 9 ("Summary of Cash (Shortage) Overage").

Results B: Overage – An overage of \$10.56 inclusive of bank adjustments, was noted for the quarter ended March 31, 2013. The overage has been presented in Exhibit C, "Summary of Cash (Shortage) Overage". The overage was caused by a payment for a short pay of \$10.56 on December 29, 2012. The year-to-date cash shortage is \$32.36.

NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
FOR THE QUARTER ENDED MARCH 31, 2013

RESULTS AND EXCEPTIONS

III. INTERNAL CONTROLS

A. Procedure: We examined the Scale Transaction Reports for the quarter ended March 31, 2013 and noted transactions with the same “Time In” and “Time Out.” Tickets have the same “Time In” and “Time Out” when staff manually input the tickets. Manual tickets may be required if the system is down. We excluded tickets for non-weighed items (e.g. auto batteries, tires, etc.), tickets for Collection Contractor’s vehicles and public agencies with tare weights coded into the system in accordance with the Northern contract, hand tags for system outages and tickets where the comment indicated that the ticket was entered manually to correct a previous ticket. As a result of this procedure we noted the following exception:

Exception A: Same Time In and Out – We noted twenty-two (22) tickets with the same “Time In” and “Time Out” entries for an aggregate amount of \$30,844.44 for inbound materials. The twenty-two (22) tickets with the same time entries were for the non-franchise account #60598. Account #60598 is the account for NVWMA’s contractor, Northern. The tickets did not pertain to non-weighed items, hand tags for system outages, Collection Contractors, or public agencies and did not have an explanation provided to determine if the tickets were replacement tickets.

Recommendation A: During the quarter ended March 31, 2013, DRTS was not authorized to utilize stored tare weights for account #60598. On May 14, 2013, the NVMWA’s Executive Director authorized DRTS to utilize stored tare weights for Northern’s vehicles. In the future, DRTS should request authorization from NVMWA’s Executive Director prior to utilizing stored tare weights for vehicles that had not been previously authorized.

We recommend that reasons for manual input of tickets continue to be noted in the comment field within Soft-Pak. In addition to noting the reasons within Soft-Pak, the reasons for manual entry should also be noted on the Daily Reconciliation Forms when the reason for manual entry is not apparent.

Northern’s Response A: The Executive Director has authorized Northern Recycling to use stored Tare weights for some additional billed customers that regularly use the facility. Northern is required to update and reweigh all stored tare weights no less than twice per year. Scale house staff has been instructed to continue to note reasons for same time in and time out tickets, manual entry tickets and voids.

B. Procedure: We reviewed negative amounts from the Scale Transaction Reports for the quarter ended March 31, 2013. We understand from our inquiries that negative quantities may be input manually to void or adjust ticket charges as necessary, for example where the origin, vehicle, customer or other information is input in error. The reasons for the negative amounts appear on a monthly Void Report. See Exhibit D for a summary of the negative tickets for the quarter ended March 31, 2013.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
FOR THE QUARTER ENDED MARCH 31, 2013**

RESULTS AND EXCEPTIONS

III. INTERNAL CONTROLS (Continued)

Results B: Negative Tickets - During the quarter there were twenty-three (23) tickets with negative amounts for a cumulative amount of \$6,369. See Exhibit D for a summary of the negative tickets for the quarter ended March 31, 2013. Exhibit D also includes graphs depicting the quarterly dollar value of negative tickets for quarters ended June 30, 2011 through March 31, 2013.

EXHIBITS

Exhibit A

**Napa-Vallejo Waste Management Authority
 Status of Accounts Receivable Over 90 Days
 Per Central Collections
 As of March 31, 2013**

<u>Account Number</u>	<u>Total</u>	<u>Collection Measures*</u>
Account 501 - General A/R		
Cannaday Construction	\$ 743.92	Continue collection procedures
Commercial Development Consultants	90.41	Continue collection procedures
Davis Trucking	32.00	As of 5/29/13 requested approval to write off
Malone Roofing	355.08	As of 5/29/13 requested approval to write off
Napa Valley Door & Trim	249.40	Continue collection procedures
Norcal Communications & Construction	63.36	Continue collection procedures
On Time Maintenance Service	1,726.60	Continue collection procedures
R.E. Bradley Construction	207.24	Spoke to Marcia on 6/7 she stated she is disputing some tickets in question
Recology American Canyon	(40.72)	Per customer's request to hold credit until further notice
Recology Vallejo/Vallejo Garbage	229.50	Per most recent conversation with Lisa L. on 6/28/13, she is still researching difference
Virtue Development Group, LLC	124.72	As of 5/29/13 requested approval to write off
Subtotal - 501 - General A/R	<u>3,781.51</u>	
Account 501C - NSF A/R		
Classic Construction	77.00	As of 5/29/13 requested approval to write off
Golden Gate Roofing Service	783.48	Continue collection procedures
Grossi, Paul DBA North Bay Roofing	179.55	Continue collection procedures
Hernandez, Ruben	678.44	Continue collection procedures
Morgan Peabody, Ltd.	291.00	Continue collection procedures
Rojas, Steven/Aqua Fresca Pool & Spa	77.00	Continue collection procedures
Spangler, Billy	76.00	Continue collection procedures
Subtotal - 501C - NSF A/R	<u>2,162.47</u>	
Total Accounts Receivable Over 90 Days	<u>\$ 5,943.98</u>	

*Collection measures provided by Central Collections.

Exhibit B

**Napa-Vallejo Waste Management Authority
Analysis of General Ledger Activity
January 1, 2013 through March 31, 2013**

	General Ledger Total	Components			
		Visa / MC	Deposit Slip	CAMS	Other
JANUARY	\$ 1,022,368.09	\$ 84,769.74	\$ 130,983.06	\$ 747,094.93	\$ 59,520.36
FEBRUARY	882,306.66	91,932.04	127,756.52	662,678.79	(60.69)
MARCH	926,974.02	103,067.14	128,707.20	688,255.54	6,944.14
QUARTER	<u>\$ 2,831,648.77</u>	<u>\$ 279,768.92</u>	<u>\$ 387,446.78</u>	<u>\$ 2,098,029.26</u>	<u>\$ 66,403.81</u>

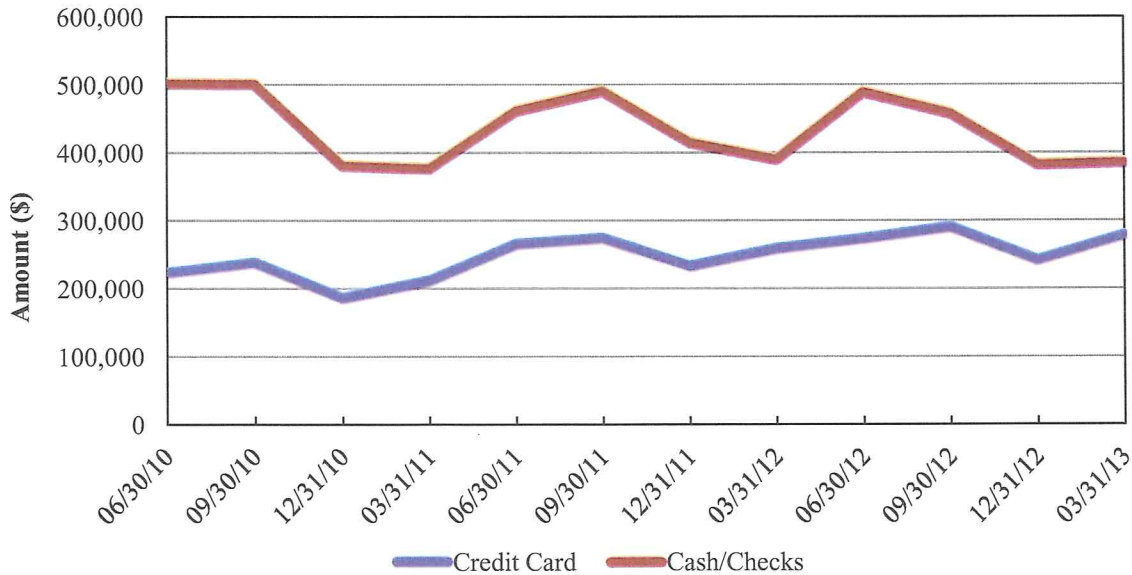
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<u>Explanation of Bank Adjustments & Other:</u>	<u>Instances</u>	<u>Amount</u>
Refund/Returned Checks - Non Sufficient Funds (NSF)	4	\$ (473.85)
Deposit Correction	13	66,877.66
	<u>17</u>	<u>\$ 66,403.81</u>

a

Detail is available upon request from the Napa County Auditor-Controller's Office

**Revenue Collected at Devlin Road Transfer Station (DRTS)
Quarter Ended June 30, 2010 through March 31, 2013**



The majority of the revenue collected at DRTS is cash and checks; however, credit card sales are increasing.

Exhibit C

**Napa-Vallejo Waste Management Authority
Summary of Cash (Shortage) Overage
For the Quarter Ended March 31, 2013**

<u>Description</u>	<u>Quarter Ended Sep. 30, 2012</u>	<u>Quarter Ended Dec. 31, 2012</u>	<u>Quarter Ended Mar. 31, 2013</u>	<u>Year to Date</u>
Deposit Slips	\$ 483,944.27	\$ 375,191.96	\$ 394,017.16	\$ 1,253,153.39
VISA Slips	305,778.26	241,675.26	282,569.08	830,022.60
Posting errors/Corrections	-	9,984.22	7,392.54	17,376.76
Subtotal	789,722.53	626,851.44	683,978.78	2,100,552.75
Deposits Per Cash Report	789,754.89	626,862.00	683,968.22	2,100,585.11
Cash (Shortage) Overage	(32.36)	(10.56)	10.56	(32.36)
Bank Adjustments	-	-	-	-
Net Cash (Shortage) Overage	<u>\$ (32.36)</u>	<u>\$ (10.56)</u>	<u>\$ 10.56</u> ^a	<u>\$ (32.36)</u>
<u>Overage is caused by the following:</u>	<u>Instances</u>			<u>Total</u>
Payment of Short Pay	<u>1</u>			<u>\$ 10.56</u>
Net Cash (Shortage) Overage	<u>1</u>		^a \$ 10.56	<u>10.56</u>

Exhibit D

**Napa-Vallejo Waste Management Authority
For the Quarter Ended March 31, 2013**

**Additional Information
Tickets with Negative Amounts**

Quarter Ended	Cash/Checks		A/R		Total	
	# of Tickets	Amount	# of Tickets	Amount	# of Tickets	Amount
6/30/2011	12	\$ 997	33	\$ 9,786	45	\$ 10,783
9/30/2011	14	1,345	35	10,699	49	12,044
12/31/2011	16	3,864	145	41,628	161	45,492
3/31/2012	16	2,958	29	8,066	45	11,024
6/30/2012	13	570	35	11,117	48	11,687
9/30/2012	20	2,462	28	9,264	48	11,726
12/31/2012	8	651	16	4,016	24	4,667
3/31/2013	13	1,191	16	5,178	29	6,369
Average	14	\$ 1,755	42	\$ 12,469	56	\$ 14,224

The above table is a summary of negative tickets by transaction type, month, and totals for the quarter ended March 31, 2013 and also includes totals for the seven (7) prior quarters, for comparison.

**Exhibit D
(Continued)**

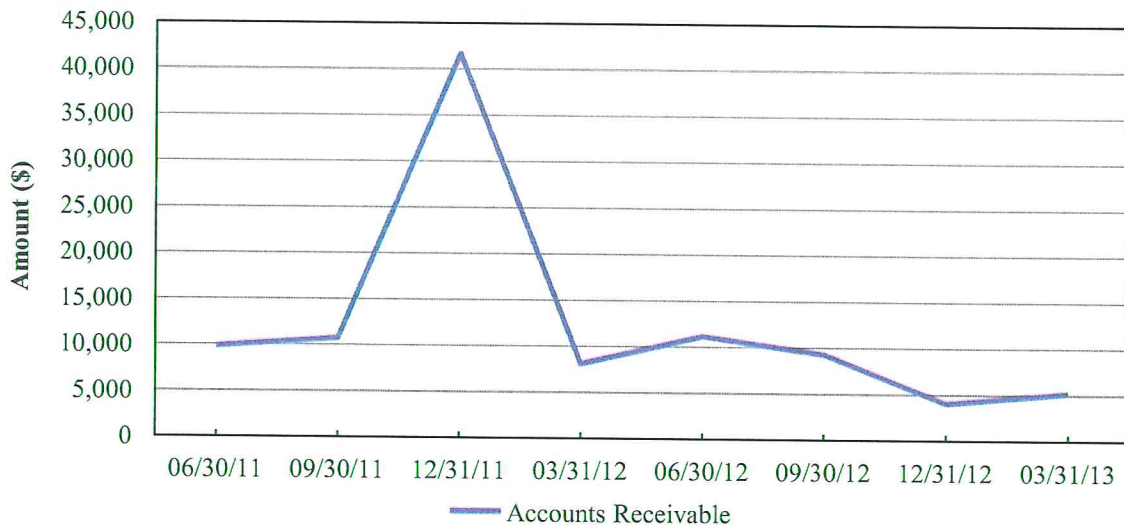
**Napa-Vallejo Waste Management Authority
For the Quarter Ended March 31, 2013**

**Cash/Check Tickets with Negative Amounts
Quarters Ended June 30, 2011 through March 31, 2013**



Due to the inherent risk of fraud associated with cash transactions, negative cash/check tickets have been separately shown above.

**Accounts Receivable (AR) Tickets with Negative Amounts
Quarters Ended June 30, 2011 through March 31, 2013**

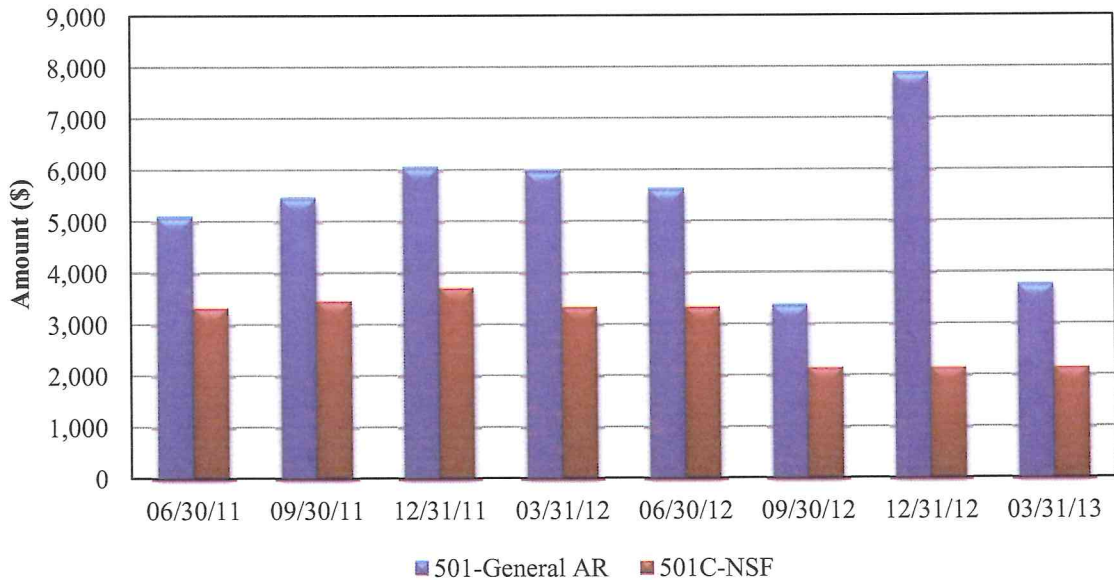


The number of negative tickets has been decreasing. The large amount of negative tickets in December 31, 2011 was due the rates not being updated correctly on October 1, 2011. This resulted in a large number of voided tickets.

Exhibit E

**Napa-Vallejo Waste Management Authority
Comparison of Accounts Receivable Over 90 Days
Quarters Ended June 30, 2011 through March 31, 2013**

Quarter Ended	501		501C		Total	
	# of Accounts	Amount	# of Accounts	Amount	# of Accounts	Amount
6/30/2011	8	\$ 5,109	15	\$ 3,342	23	\$ 8,451
9/30/2011	14	5,481	13	3,482	27	8,963
12/31/2011	18	6,068	15	3,729	33	9,797
3/31/2012	17	5,993	12	3,354	29	9,347
6/30/2012	8	5,646	12	3,354	20	9,000
9/30/2012	9	3,377	7	2,162	16	5,539
12/31/2012	26	7,904	7	2,162	33	10,066
3/31/2013	11	3,782	7	2,162	18	5,944
Average	14	\$ 5,420	11	\$ 2,969	25	\$ 8,388



Historically, delinquent accounts are due to lack of payments on general accounts receivable accounts. The dollar amount of delinquencies generally increases during the quarter ended December 31st due to a slowdown in construction jobs and the related cash flows.