



A Tradition of Stewardship  
A Commitment to Service

# **Napa-Vallejo Waste Management Authority**

Internal Audit Report

For the Quarter Ended December 31, 2015

Issued by  
**AUDITOR-CONTROLLER**  
Internal Audit Section  
February 29, 2016

# NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>Executive Summary</u></b> .....	1
<b><u>Results and Exceptions</u></b>	
I. Accounts Receivable .....	4
II. Revenue .....	4
III. Internal Controls .....	5
<b><u>Exhibits</u></b>	
Exhibit A – Status of Accounts Receivable Over 90 Days .....	7
Exhibit B – Comparison of Accounts Receivable Over 90 Days .....	8
Exhibit C – Analysis of General Ledger Activity .....	9
Exhibit D – Summary of Cash (Shortage) Overage .....	10
Exhibit E – Summary of Tickets with Negative Amounts .....	11



A Tradition of Stewardship  
A Commitment to Service

Auditor-Controller

1195 Third Street · Room B10  
Napa, CA 94559  
[www.countyofnapa.org](http://www.countyofnapa.org)

Main: (707) 253-4551  
Fax: (707) 226-9065

**Tracy A. Schulze**  
Auditor-Controller

## EXECUTIVE SUMMARY

Board of Directors  
Napa-Vallejo Waste Management Authority  
1195 Third Street, Room B10  
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 (DRTS) operated by Northern Recycling Operations & Waste Services, LLC (Northern), for the quarter ended December 31, 2015.

### 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 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:

- Verify that the revenue has been posted accurately and timely to the general ledger;
- Verify that tickets have been properly charged;
- Verify that internal controls are in place over the issuance of tickets;

## **Summary of Results and Exception**

For the purpose of our review, 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.

**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 December 31, 2015, we noted the following results and exceptions:

### **Report Section**

- I. Result: Account Balances over 90 Days** – As of December 31, 2015, eighteen accounts had balances over 90 days past due for an amount of \$9,720. See Exhibit A on page 7 for a detail list and Exhibit B on page 8 for the quarterly history of accounts over 90 days from January 1, 2014 to December 31, 2015.
- II.A Result: Analysis of General Ledger Activity** – A total of \$3.5 million in revenue was received in cash, checks, and credit card charges and payments on accounts receivable. See Exhibit C on page 9 for the detail results of the analysis.
- II.B Result: Cash (Shortage) Overage** – During the quarter there was one instance where a counterfeit bill was deposited for the amount of \$100. The Authority was notified that the counterfeit bill was genuine and would clear in the following quarter ending March 31, 2016.
- III.A Exception: Same Time In and Out** – We noted four cash tickets with the same “Time In” and “Time Out” entries for a cumulative amount of \$249 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. 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 thirty-one tickets with negative amounts for a cumulative amount of \$6,966. Five of the tickets were not recognized on the Scale House Operator’s Daily Reconciliation Form. See Exhibit E on page 11 and 12 for additional analysis.

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



**Conclusion**

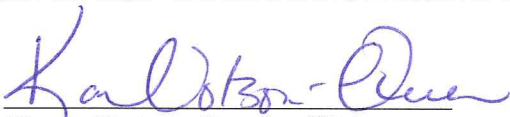
We determined that Northern Recycling Operations & Waste Services, LLC currently owes Napa-Vallejo Waste Management Authority \$200 for cash shortages occurring during the period of July 1, 2015 to December 31, 2015. At the end of the fiscal year, ending June 30, 2016, the cumulative shortage is due 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.

The responses to the exceptions identified in our report have 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; 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  
February 29, 2016

This page is intentionally left blank

**RESULTS**  
**AND**  
**EXCEPTIONS**

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2015**

**RESULTS AND EXCEPTIONS**

**I. ACCOUNTS RECEIVABLE**

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

**Result:** Account Balances over 90 Days – All accounts over 90 days as of December 31, 2015 and their status have been presented in Exhibit A on page 7 for an aggregate amount of \$9,720, including fees and interest, which is an increase of \$1,982 compared to the prior quarter balance of \$7,738. Historical data and trends of the accounts receivable balances over 90 days is presented in Exhibit B on page 8.

**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 December 31, 2015. We also verified the timeliness of transmitting the deposit information and recording the revenue in the proper account.

**Result A:** Analysis of General Ledger Activity – A total of \$3.5 million in revenue was received in cash, checks, credit card charges and payments on accounts receivable. We summarized our analysis in Exhibit C on page 9 (“Analysis of General Ledger Activity”). Exhibit C also includes a graph depicting the quarterly revenue collected by DRTS from cash and credit card transactions over the last twelve quarters.

**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 compared the daily amounts to the amounts DRTS deposited into the bank. We have summarized our comparison and results in Exhibit D on page 10 (“Summary of Cash (Shortage) Overage”).

**Result B:** Cash (Shortage) Overage – During the quarter there was one instance where a counterfeit bill was deposited for the amount of \$100 and adjusted by the bank. The Authority was notified that the counterfeit bill was genuine and would clear in the following quarter ending March 31, 2016.



**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2015**

**RESULTS AND EXCEPTIONS**

**III. INTERNAL CONTROLS**

**A. Procedure:** We examined the Scale Transaction Reports for the quarter ended December 31, 2015 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, and 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 four tickets with the same “Time In” and “Time Out” entries for a cumulative amount of \$249 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. All four tickets were for cash customers. Tickets for voids, replacements, non-weighed items, Collection Contractors and public agencies were excluded from the procedure.

**Recommendation A:** 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.

**Northern’s Response A:** Our staff reviewed the four tickets that did not indicate why the same time in and out was recorded on the tickets. Our best guess is that each of the customers could have changed their payment option from credit card to cash or cash to credit card. All of the scale house staff has been reminded to note in the comment section of a scale ticket and on the daily reconciliation the reason for any ticket having the same time in and out recorded. Copies of the tickets have been attached for your review.

**B. Procedure:** We reviewed negative amounts from the Scale Transaction Reports for the quarter ended December 31, 2015. 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.

**Exception B: Negative Tickets** - During the quarter there were thirty-one tickets with negative amounts for a cumulative amount of \$6,966. Five of the tickets were recognized on the Void Report, but not on the Scale House Operator’s Daily Reconciliation Form.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2015**

**RESULTS AND EXCEPTIONS**

**III. INTERNAL CONTROLS (Continued)**

See Exhibit E on page 11 for a summary of the negative tickets for the quarter ended December 31, 2015 and for the previous seven (7) quarters. Exhibit E also includes graphs on page 12 depicting the quarterly dollar value of negative tickets for quarters ended March 31, 2014 through December 31, 2015.

**Recommendation B:** We recommend that Scale House staff continue to note reasons for any negative amounts on the end of day reconciliation form. The reasons should include the original ticket number, the replacement ticket number, and any change of date, weight or origin. The implementation of the monthly void reports has been useful for review purposes, as the comment field (described in the void report as “Notes”) provides a description for each ticket with a negative quantity.

We also recommend that replacement tickets for cash transactions are signed by the drivers. This will assist in providing an audit trail that the appropriate payment was received in conjunction with the replacement ticket.

**Northern’s Response B:** A review of the five tickets that were not noted on the daily reconciliation report was performed. One ticket was voided because the scale operator pulled up the wrong customer on the outbound window. One ticket was voided because the franchise garbage truck had a mechanical failure and could not unload his truck. One ticket was voided because an incorrect material code was used in the transaction. Copies of the tickets are attached for your review. The scale house staff have been reminded to note any reason for voiding any ticket and to note on the ticket and daily reconciliation report.

## **EXHIBITS**

This page is intentionally left blank

## Exhibit A

### Napa-Vallejo Waste Management Authority Status of Accounts Receivable Over 90 Days Per Central Collections As of December 31, 2015

Account Name	Account Number	Total	Collection Measure
<b>Account 501 - General A/R</b>			
Ashorn Construction	50522	\$ 398.38	Continue collection procedures (company split)
Atazz Technical Services	61762	2,958.98	On payment plan; last payment 12/31/15. Continue collection procedures.
BR Landscaping & Maintenance	60561	394.07	Paid 1/14/16
Buchanan Construction	60745	1,459.20	Attempting to collect - phone disconnected
California Custom Remodeling	52445	168.84	Paid 2/10/16
Classic Party Rentals	55367	487.49	Paid 2/17/16
Noble House Construction	55849	0.88	This amount will be added to future invoices and collected at that time.
On Time Maintenance Service	55260	1,126.60	Failed to follow through with pay plan. Still attempting to collect.
Rice, Eric	60677	192.65	Continue collection procedures
Thurston, James B.	50633	58.65	Paid 1/20/16
<b>Subtotal 501 - General A/R</b>		<u>7,245.74</u>	
<b>Account 501B - No Pay A/R</b>			
García, Fernando	62098	106.44	Unable to locate - will request write-off
Miller, Jeff	61909	124.08	Found possible alternate address - possible write-off
<b>Subtotal 501B - No Pay A/R</b>		<u>230.52</u>	
<b>Account 501C - NSF A/R</b>			
Calmell Carlos (DBA C & C Plumbing)	62308	231.44	Continue collection procedures
Golden Gate Roofing Service	55442	783.48	Continue collection procedures
Grossi, Paul DBA North Bay Roofing	60494	179.55	Continue collection procedures
Hernandez, Ruben	57142	678.44	Continue collection procedures
Morgan Peabody, Ltd.	55396	291.00	Continue collection procedures
Nature's Wellness Center	62239	80.00	Business closed; possible write-off
<b>Subtotal 501C - NSF A/R</b>		<u>2,243.91</u>	
<b>Total Accounts Receivable Over 90 Days</b>		<u>\$ 9,720.17</u>	



## Exhibit B

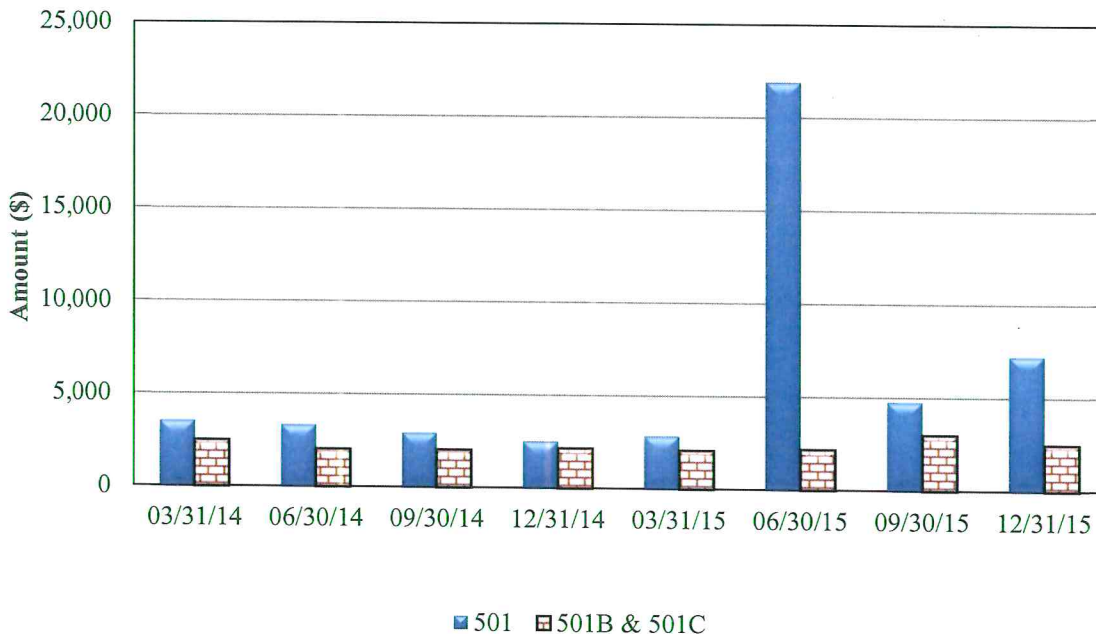
### Napa-Vallejo Waste Management Authority Comparison of Accounts Receivable Over 90 Days Quarters Ended March 31, 2014 through December 31, 2015

**Table 1**

Quarter Ended	501		501B & 501C		Total	
	# of Accounts	Amount	# of Accounts	Amount	# of Accounts	Amount
3/31/2014	8	\$ 3,517	6	\$ 2,464	14	\$ 5,981
6/30/2014	7	3,324	5	2,009	12	5,333
9/30/2014	4	2,926	5	2,009	9	4,935
12/31/2014	6	2,510	6	2,133	12	4,643
3/31/2015	10	2,834	5	2,057	15	4,891
6/30/2015	10	21,926	6	2,163	16	24,089
9/30/2015	6	4,762	9	2,976	15	7,738
12/31/2015	10	7,246	8	2,474	18	9,720
Average	8	\$ 6,130	6	\$ 2,286	14	\$ 8,416

Historically, delinquent accounts are due to lack of payments on general accounts receivable accounts. The dollar amount of delinquencies generally decreases during the quarter ended March 31<sup>st</sup> due to uncollectible accounts being approved by the Board to be written-off and generally increase in the quarter ended December 31<sup>st</sup>.

**Graph 1  
Accounts Receivables Over 90 Days  
Quarters Ended March 31, 2014 through December 31, 2015**



## Exhibit C

### Napa-Vallejo Waste Management Authority Analysis of General Ledger Activity October 1, 2015 through December 31, 2015

**Table 2**

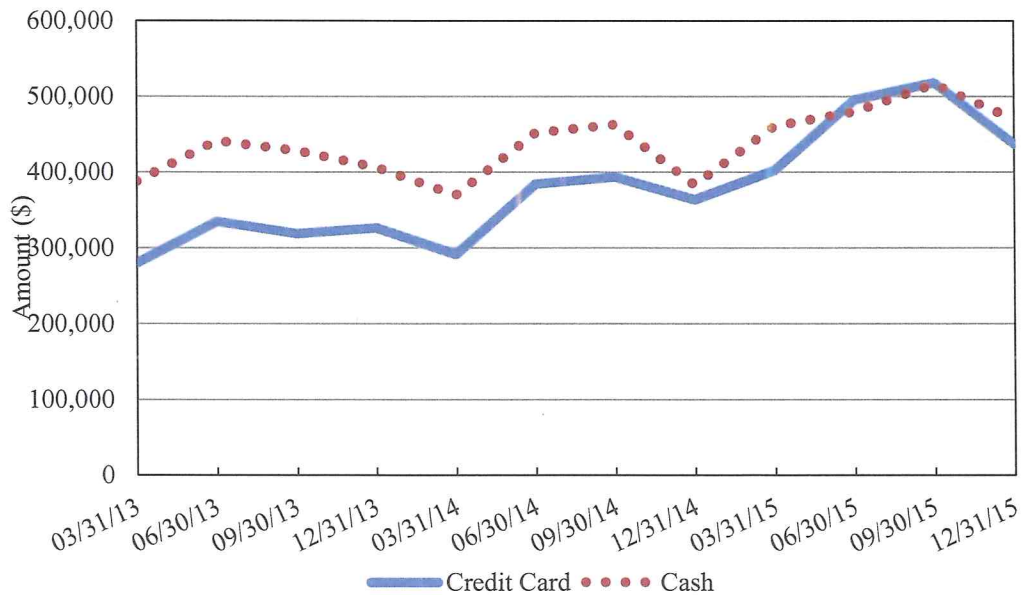
	General Ledger Total	Components				
		Visa / MC	Deposit Slip	Accounts Receivable	Bank Adjustments	Other
<b>OCTOBER</b>	\$ 1,222,073	\$ 144,255	\$ 197,694	\$ 880,431	\$ -	\$ (307)
<b>NOVEMBER</b>	1,561,280	142,994	155,852	1,262,821	-	(386)
<b>DECEMBER</b>	728,950	149,677	116,464	462,909	(100)	-
<b>QUARTER</b>	<u>\$ 3,512,302</u>	<u>\$ 436,926</u>	<u>\$ 470,010</u>	<u>\$ 2,606,161</u>	<u>\$ (100)</u>	<u>\$ (693)</u>

Total Bank Adjustments and Other     \$ (793)

Explanation of Bank Adjustments & Other:	Instances	Amount
Bank Adjustments/Deposit Corrections	1	\$ (100)
Refund/Returned Checks - Non Sufficient Funds (NSF)	8	(565)
Reclassification	4	(128)
	<u>13</u>	<u>\$ (793)</u>

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

**Graph 2**  
**Revenue Collected at Devlin Road Transfer Station (DRTS)**  
**Quarters Ended March 31, 2013 through December 31, 2015**



Revenue collected at DRTS decreased approximately \$118,000 for Cash/Checks and for Visa/MC in the quarter ended December 31, 2015 compared to the quarter ended September 30, 2015.

## Exhibit D

### Napa-Vallejo Waste Management Authority Summary of Cash (Shortage) Overage For the Quarter Ended December 31, 2015

Description	Quarter Ended Sep. 30, 2015	Quarter Ended Dec. 31, 2015	Year to Date
Deposit Slips	\$ 521,621	\$ 477,233	\$ 998,854
VISA Slips	522,101	433,279	955,381
Subtotal	1,043,722	910,512	1,954,234
Deposits Per Cash Report	1,043,722	910,512	1,954,234
Cash (Shortage) Overage	-	-	-
Bank Adjustments	(100)	(100)	(200)
Net Cash (Shortage) Overage	<u>\$ (100)</u>	<u>\$ (100)</u>	<u>\$ (200)</u>

**December 31, 2015 shortage is caused by the following:**

	<u>Instances</u>	<u>Total</u>
Overage	3	\$ 2,572
Shortage	4	(2,572)
Short Pay	1	89
Short Pay - Pd	1	(89)
Bank Adjustments	1	(100)
Net Cash (Shortage) Overage	<u>10</u>	<u>\$ (100)</u>

**Exhibit E**

**Napa-Vallejo Waste Management Authority  
Summary of Tickets with Negative Amounts  
For Quarters ended  
March 31, 2014 to December 31, 2015**

**Table 3**

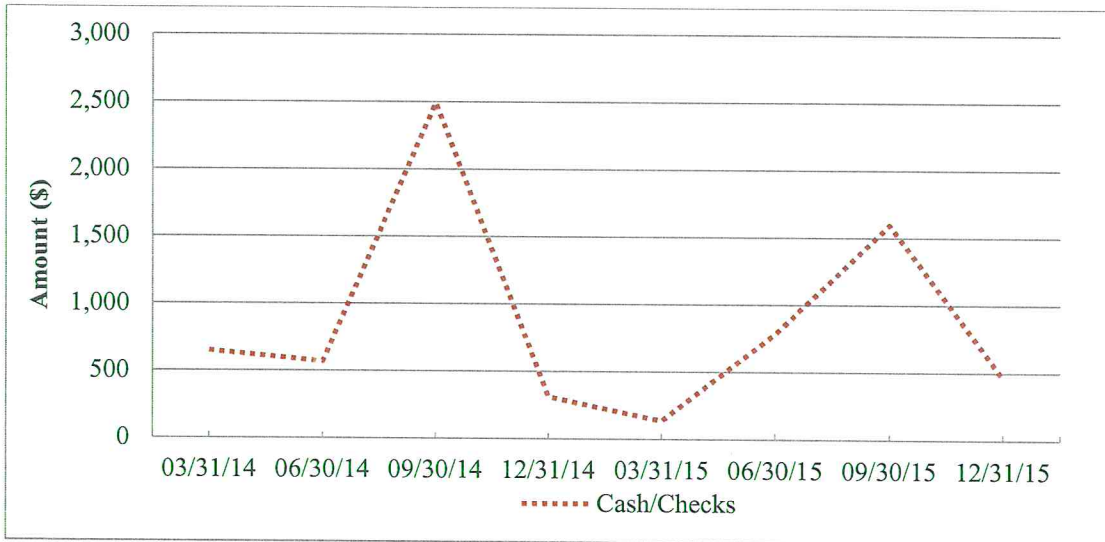
<b>Quarter Ended</b>	<b>Cash/Checks</b>		<b>A/R</b>		<b>Total</b>	
	<b># of Tickets</b>	<b>Amount</b>	<b># of Tickets</b>	<b>Amount</b>	<b># of Tickets</b>	<b>Amount</b>
3/31/2014	5	\$ 652	14	\$ 4,978	19	\$ 5,629
6/30/2014	6	570	49	11,959	55	12,529
9/30/2014	15	2,497	206	43,736	221	46,233
12/31/2014	9	316	288	76,742	297	77,058
3/31/2015	1	139	41	15,240	42	15,379
6/30/2015	5	785	25	15,531	30	16,316
9/30/2015	7	1,600	18	5,736	25	7,336
12/31/2015	6	467	25	6,499	31	6,966
Average	7	\$ 878	83	\$ 22,553	90	\$ 23,431

The above table is a summary of negative tickets by transaction type, month, and totals for the quarter ended December 31, 2015 and also includes totals for the seven (7) prior quarters, for comparison.

**Exhibit E  
(Continued)**

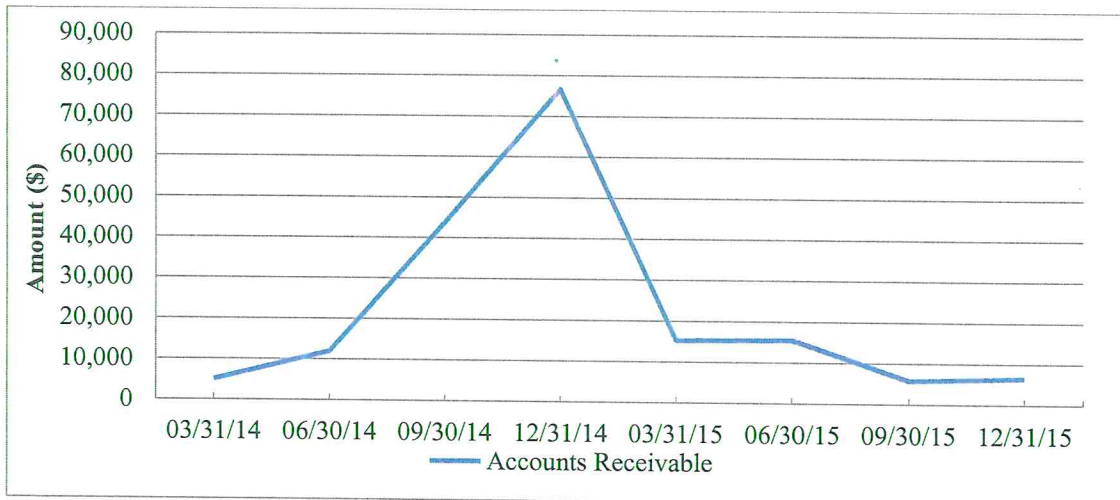
**Napa-Vallejo Waste Management Authority  
Summary of Tickets with Negative Amounts  
For Quarters ended March 31, 2014 to December 31, 2015**

**Graph 3a  
Cash/Check Tickets with Negative Amounts  
Quarters Ended March 31, 2014 through December 31, 2015**



Due to the inherent risk of fraud associated with cash transactions, negative cash/check tickets have been separately shown above. Cash tickets with negative amounts decreased during the quarter ended December 31, 2015.

**Graph 3b  
Accounts Receivable (AR) Tickets with Negative Amounts  
Quarters Ended March 31, 2014 through December 31, 2015**



Accounts Receivable tickets with negative amounts slightly increased in the quarter ended December 31, 2015.