



A Tradition of Stewardship  
A Commitment to Service

Auditor-Controller

1195 Third Street · Room B10  
Napa, CA 94559  
www.countyofnapa.org

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

Tracy A. Schulze  
Auditor-Controller

## QUARTERLY MONITORING FOR THE QUARTER ENDED SEPTEMBER 30, 2018

December 26, 2018

Board of Directors  
Napa-Vallejo Waste Management Authority  
Napa, California

### 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 engagement 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 collected, manual tickets issued, 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 September 30, 2018.

### Objectives

The objective of our engagement was to assess risk pertaining to inbound customers specifically to:

- Determine if controls associated with fees collected, manual tickets issued, 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; and
- Determine the accuracy of the revenue reported in the Authority's general ledger for inbound customers;
- Provide the Authority with information on exceptions and additional information resulting from our engagement.

## Procedures

In achieving the engagement objectives, the following procedures were performed, including but not limited to:

1. **General Controls** – We updated the Void Ticket Process applicable to customers weighing in and out at the DRTS along with the flow of information between Northern and the Napa County Auditor-Controller’s Office in a narrative format. Key controls were identified within the narrative for the scale house procedure.
2. **Specific Controls** – Based on the risk assessed from the analysis of the General Controls and operations of Devlin Road Transfer Station:
  - We examined a sample of voided cash tickets that had replacement amounts less than the original ticket amount to determine if replacement tickets were issued and driver signatures were obtained to ensure accuracy of the transaction;
  - We examined a sample of manually issued tickets (hand tags) to determine if the information on the hand tag was entered into Northern’s SoftPak system accurately;
  - We analyzed the Aging Reports to determine if accounts 90 days and over past due exceeded \$10,000;
  - We verified that all tickets issued in the quarter were accounted for; and
  - We tested every ticket issued in the quarter to verify that rate changes effective July 1, 2018 were updated in SoftPak.
3. **Reporting Accuracy** – We compared the amount posted into the Authority’s general ledger to the amount reported in the SoftPak system for cash and credit card transactions.

## Summary of Results

### **General Controls**

**Results:** Based on our identification and testing of key controls for the inbound procedures, we noted that Northern has adequate controls ensuring checks and balances are in place to accurately conduct business transactions while minimizing the risk of errors and fraudulent activity.

**Recommendation:** We recommend Northern continue to use these procedures as a training tool for their employees and to make sure they are updated and improved upon bi-annually.

**Northern's Response:** Northern Recycling office staff and scale house staff will continue to review all transactions on a daily basis and use our established procedures for guideline to train new employees and to help reinforce existing employees' daily performance.

### **Specific Controls – Voids**

**Results – Voids:** Based on our review for the quarter ended September 30, 2018, Northern has materially complied with the policy and procedures governing the voiding of a ticket. However, financial risk to the Authority is higher in the area of voided cash tickets due to the scale house operators having the ability to void tickets in the system. Northern has implemented mitigating controls by placing cameras inside and outside the scale house. Additionally, all voids are reviewed by management and an exchange of information as well as follow-up questions are discussed with the scale house operators to ensure that each voided transaction is processed in accordance with Northern's Policy & Procedures.

To ensure controls are working, all voided cash tickets with replacement amounts less than the original amount are examined to determine that the driver's signature is obtained. Of the sixty-seven voided tickets, three tickets were for cash transactions that had replacement amounts less than the original ticket amount. One ticket did not have the driver's signature. According to Northern, there are instances when a driver refuses to sign the ticket.

**Recommendation:** We recommend that the replacement tickets for cash transactions are signed by the drivers. This procedure ensures that the voided transaction has been accurately reported for the amount received from the customer as well as providing an audit trail that the appropriate amount received from the customer was recorded on the replacement ticket.

However, if a driver refuses to sign the replacement ticket, we recommend the scale house operator note the instance on the ticket to show that the driver did not comply.

**Northern's Response:** All voided transactions are reviewed on a daily and monthly basis. Each voided ticket is reviewed by Northern Recycling office staff to help determine the reason for the void and to make sure that documentation of the voided ticket and replacement ticket are performed in accordance with the procedures.

The Scale house staff has been instructed to always obtain the drivers signature when issuing a replacement ticket and if the driver refuses to sign the ticket the scale weighmaster must make note of the refusal.

### **Specific Controls (Continued)**

**Results – Accounts Past Due over 90 Days:** 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 June.

As of September 30, 2018, eighteen accounts had balances over 90 days past due for an amount of \$11,194.

**Recommendation:** We recommend the Treasurer’s Central Collections Division continues to pursue collection of past due amounts on behalf of the Authority. See Exhibit 1 on page 7 for a detailed list of accounts with collection measures.

**Treasurer’s Response:** The Treasurer-Tax Collector’s Office (TTC) will continue to attempt collection on these past due balances. The TTC, over the next 12 months, will be working on a process to evaluate the ability to collect on certain debts in order to identify the cost benefit of continuing these efforts related to specific outstanding debt.

### **Reporting Accuracy**

**Results:** To determine the accuracy of the amount transmitted to the Napa County Treasurer, we compared the amount posted in the Authority’s general ledger to the amount reported in Northern’s SoftPak system. During the quarter ended September 30, 2018, we noted a net shortage of \$187.96. The shortage was a result of cash and check shortages of \$137 and credit card shortages of \$50.96. The majority of the variances were due to short pays, system errors, and a refund for a double charge on a credit card in the prior quarter. See Exhibit 2 on page 8 for a breakdown of the cash shortage.

**Recommendation:** We recommend Northern continue to monitor their employees and implement procedures that would assist in reconciling differences that occur in the scale house. In addition, the successful implementation of the kiosk system for customers with stored tared weights should help with the reduction of errors.

**Northern’s Response:** Northern Recycling office staff and scale house staff routinely review all transaction on a daily basis and place an emphasis on documenting any short pays or refunds for double charges. Scale house staff are reminded to take their time when swiping credit cards/debit cards and to give the system time to process the transaction. Double charges can sometimes happen when the operator re-swipes a card in haste because the original swipe has not completed its process.

## Conclusion

The Authority's contractor, Northern, has policy and procedures in place that govern the processes applicable to Inbound and Void transactions. Given the magnitude of transactions that Northern's employees process each day, they should be commended for a cash shortage that is less than one percent of the transactions processed. Over \$4.5 million in revenue was processed in cash, checks, credit card transactions, and charges on accounts receivable for the quarter ended September 30, 2018. Northern's scale house employees processed over 38,361 tickets during the quarter of which 10,905 were for cash transactions and 12,364 were for credit card transactions with the remaining 15,092 tickets issued to accounts receivable customers.

We recommend Northern continue to focus on opening the kiosk system to trucks with stored tare weights once training is completed. The implementation of the kiosk to franchise haulers and public agencies will help reduce the reliance on scale house operators especially in times of high turnover.

Overall, we have reasonable assurance that internal controls associated with fees collected, manual tickets issued, stored tare weights, voids and issuance of tickets at Devlin Road Transfer Station are in place and effective.

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.

Thank you,



Tracy A. Schulze  
Auditor-Controller

cc: Richard F. Luthy, Jr.  
Executive Director

Karen Dotson  
Internal Audit Manager

**Napa-Vallejo Waste Management Authority**  
**Account Balances over 90 days**  
**For the Quarter Ended September 30, 2018**

**EXHIBIT 1**

Account Name	Account Number	Total	Collection Measure
<b>Account 501 - General A/R</b>			
Cemco Inc.	63081	\$ 5,264	Continue Collection Procedures
Commissioned Landscape, Inc.	62250	277	Chapter 7 Bankruptcy-will request writeoff
On Time Maintenance Service	55260	526	Client making payments
Pure Set Wireless	61564	1,863	Continue Collection Procedures
RJB Construction	61228	62	Payment in full promised for 11/5/18
Unique Recycling Gift Center	50761	<u>664</u>	Chapter 7 Bankruptcy-will request writeoff
<b>Subtotal 501 - General A/R</b>		<u>8,656</u>	
<b>Account 501B - No Pay A/R</b>			
Endicott, James	63111	63	Continue Collection Procedures
Eugene, Austin	63057	86	Continue Collection Procedures
Gaither, Brian	62713	222	Continue Collection Procedures
Hinkle, Victor	63110	103	Continue Collection Procedures
Knosky, Erek	62718	72	Continue Collection Procedures
Koli, John	62894	<u>81</u>	Continue Collection Procedures
<b>Subtotal 501B - No Pay A/R</b>		<u>627</u>	
<b>Account 501C - NSF A/R</b>			
Alvarado, Alonso DBA CD Hauling Svc	63021	285	Continue Collection Procedures
Anderson, Douglas	63050	122	Continue Collection Procedures
Dale, James DBA Dale James Lawn Care	62949	118	Payment was promised in full on 10/31/18
Knapp, Richard DBA CK Excavating & Der	63164	1,049	Continue Collection Procedures
LP Svcs. DBA LP Cleaning Service	62803	138	Continue Collection Procedures
Ray's Custom Iron Works	62781	<u>199</u>	Continue Collection Procedures
<b>Subtotal 501C - NSF A/R</b>		<u>1,911</u>	
<b>Total Accounts Receivable Over 90 Days</b>		<u><u>\$ 11,194</u></u>	

**Napa-Vallejo Waste Management Authority**  
**Summary of Cash (Shortage) Overage**  
**For the Quarter Ended September 30, 2018**

**EXHIBIT 2**

<u>Description</u>	<u>Quarter Ended Sep. 30, 2018</u>	<u>Year to Date</u>
<u>Authority's General Ledger</u>		
Cash	\$ 673,762.74	\$ 673,762.74
VISA/MC	879,659.68	879,659.68
Subtotal	<u>1,553,422.42</u>	<u>1,553,422.42</u>
<u>Northern's Records</u>		
Cash	673,899.74	673,899.74
VISA/MC	879,710.64	879,710.64
Subtotal	<u>1,553,610.38</u>	<u>1,553,610.38</u>
Net Cash (Shortage) Overage	<u>\$ (187.96)</u>	<u>\$ (187.96)</u>