

County of Napa

Auditor-Controller

Internal Audit Report

Quarterly Monitoring
Napa-Vallejo Waste Management Authority

For the Quarter Ended September 30, 2020

Report Date: December 15, 2020



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

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Engagement Team

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A Tradition of Stewardship
A Commitment to Service

Auditor-Controller
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Tracy A. Schulze
Auditor-Controller

December 15, 2020

Board of Directors
Napa-Vallejo Waste Management Authority

Executive Summary

The Internal Audit section of the Napa County Auditor-Controller's Office has completed a quarterly monitoring for Napa-Vallejo Waste Management Authority (Authority) for the quarter ended September 30, 2020.

We are 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.

Based upon the procedures performed, we verified that revenues and accounts receivable are accurately reported in the Authority's general ledger for inbound customers and internal controls associated with inbound transactions are adequately designed and implemented. For the quarter ended September 30, 2020, we noted there was a net overage of \$17.95.

This report is a matter of public record and is intended solely for the information and use of the Board of Directors, the Authority's Executive Director, Northern's Manager, and the Treasurer-Tax Collector.

I want to thank the Internal Audit team and Devlin Road Transfer Station staff, along with the Authority's management for their expertise and professionalism in conducting this engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. Schulze".

Tracy A. Schulze, CPA
Auditor-Controller

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Napa-Vallejo Waste Management Authority

Background and Authority

The agreement between the Authority, a joint powers agency organized under the laws of the State of California pursuant to Government Code Section 6500 et seq., and Northern Recycling Operations and Waste Services LLC (Northern), a California Limited Liability Company was entered into and executed as of March 1, 2007, and subsequently amended on March 19th, 2010.

The Authority is composed of County of Napa and the Cities of Napa, American Canyon and Vallejo, and was formed for the purpose of providing economic coordination of solid waste processing, transfer and disposal services. The Authority has contracted with Northern to operate the Devlin Road Transfer Station (DRTS), pursuant to the provisions of *Public Resource Code section 40059(a)(2)*. The Authority and Northern are authorized to enter into a transfer station operation agreement where Northern will operate DRTS.

Scope and Objective

This engagement was conducted in conformance with the *International Standards for the Professional Practice Internal Auditing (Standards)* established by the Institute of Internal Auditors.

The primary objectives of this engagement were to:

- Determine the accuracy of revenues and accounts receivable reported in the Authority's general ledger for inbound customers as of quarter ended September 30, 2020
- Report on net cash (shortage)/overage for quarter end September 30, 2020 and fiscal year 2020-21 cumulative
- Determine if internal controls associated with inbound transactions are adequately designed and implemented as of quarter ended September 30, 2020

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Procedures

1. Process Narratives - Inbound Transactions

- a. Update the following process narratives in relation to inbound transactions:
 - Accounts Receivables (at Devlin Road Transfer Station)
 - Account Receivables (at Treasurer-Tax Collector Central Collections)
 - Scale House
 - Kiosk
 - Void/Replacement Ticket

2. Internal Controls - Scale House Inbound Transactions

- a. On a sampling basis, test internal controls over inbound transactions

3. Accounts Receivable

- a. Verify the accuracy of accounts receivable payments and charges recorded by Treasurer-Tax Collector
- b. Report on any accounts receivable over 90 days past due if the total amount at the end of the quarter exceeds \$10,000

4. Revenue

- a. Perform the following:
 - Compare the general ledger to the Scale Transaction report for cash (shortage)/overage
 - Verify short pays in excess of \$20, and not collected by Northern, are reported to the Treasurer-Tax Collector
 - Report on cash (shortage)/overage for quarter end and fiscal year cumulative
 - Review bank and book adjustments for accuracy
 - Credit Card Deposit Timing Analysis

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Conclusion

For the quarter ended September 30, 2020, revenues and accounts receivable are accurately reported in the Authority's general ledger for inbound customers and internal controls associated with inbound transactions are adequately designed and implemented. For the quarter ended September 30, 2020, we noted there was a net overage of \$17.95.

The following observation is noted below along with Internal Audit's recommendations and management's responses:

Observation

For the quarter ended September 30, 2020, we noted that an overage of \$17.95 was primarily due to bank adjustments, correcting deposits, short pays, and clerical errors.

Recommendation

We recommend that DRTS continue to monitor the existing system of controls over the cash receipts, specifically:

- Practice dual custody when counting cash drawers (opening and closing)
- Deposit all cash held overnight in a safe
- Close and secure cash drawers or cash boxes when not in use
- Review deposit slips in dual custody before processing the bank deposit
- Implement controls to avoid duplicate credit card and double charged transactions

Management Response

Northern Recycling reviews all transactions daily with the Assistant Office Manager and Scale House Supervisor. They double check all scale tickets, daily reconciliations and deposit slips and also conduct meetings with the Scale House Staff and the office management team on a regular basis to review any issues, provide regular training and performance reviews.

Exhibit A

Napa-Vallejo Waste Management Authority Summary of Cash (Shortage) Overage For the Quarter Ended September 30, 2020

<u>Description</u>	<u>Quarter Ended Sept. 30, 2020</u>	<u>Year to Date</u>
<u>Authority's General Ledger</u>		
Cash	\$ 694,044.61	\$ 694,044.61
VISA/MC	1,125,668.14	1,125,668.14
Subtotal	<u>1,819,712.75</u>	<u>1,819,712.75</u>
<u>Northern's Records</u>		
Cash/Check per Northern's Cash Report	694,560.80	694,560.80
VISA/MC per Northern's Cash Report	1,125,348.40	1,125,348.40
Subtotal	<u>1,819,909.20</u>	<u>1,819,909.20</u>
Bank Adjustments	<u>(214.40)</u>	<u>(214.40)</u>
Cash (Shortage) Overage	<u>\$ 17.95</u>	<u>\$ 17.95</u>

