



# County of Yolo

www.yolocounty.org

**CHAD RINDE, CPA**  
Chief Financial Officer

**TOM HAYNES**  
Assistant Chief Financial Officer

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## DEPARTMENT OF FINANCIAL SERVICES

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- *Financial Strategy Leadership*
- *Budget & Financial Planning*
- *Treasury & Finance*
- *Tax & Fee Collection*
- *Financial Systems Oversight*
- *Accounting & Financial Reporting*
- *Internal Audit*
- *Procurement*

### Transmittal Letter

August 2, 2019

Taro Echiburú, Director  
Department of Community Services  
292 West Beamer Street  
Woodland, CA 95695

Re: Internal Control Cash Audit – Division of Integrated Waste Management

Dear Mr. Echiburú:

The Division of Internal Audit performed an internal control cash audit of the Division of Integrated Waste Management (DIWM) for the period of July 1, 2017 to September 30, 2018 to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over cash at the DIWM.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to commercial accounts, cash handling, and transfer load and activity report at the Esparto Convenience Center.

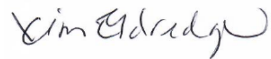
As required, in accordance with auditing standards, this report was forwarded to the department management with a request for response. The department's response will be submitted at a later date in a separate report. We will follow-up to verify that management implemented the corrective actions.

Yolo County Division of Internal Audit  
Transmittal Letter

In regards to auditor's independence, the Internal Audit Division reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors.

We thank the Division of Integrated Waste Management for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Sincerely,



**Kim Eldredge, CGAP**  
**Senior Auditor**

Distribution  
Ramin Yazdani, DIWM, Director  
Patrick Blacklock, Yolo County Administrator  
Chad Rinde CPA, Yolo County, Chief Financial Officer  
Yolo County Audit Committee  
Audit File Project No. 2019-34

Yolo County Division of Internal Audit  
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Audit No: 2019-34**

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## Detailed Findings and Recommendations

### I. Internal Controls Over Commercial Accounts

#### *Background*

Commercial accounts are established in the WasteWORKS system for customers who submit an application for monthly account billing. The WasteWORKS system is used by the DIWM to record sales, keep track of the individual customer account balances, and to generate monthly invoices. Invoices are mailed to the customers on a monthly basis with a term of 45 days. The total sales are recorded in the County's general ledger (Infor system) as a receivable. Payments are made through checks, credit cards, and wire transfers. The customer's account is credited in the WasteWORKS system and the deposit is posted to the receivable balance in the Infor system.

#### County Revenue and Receivable Policy

*The Yolo County Revenue and Receivable Policy states that, "departments shall maintain sufficient and updated accounts receivable records and ledgers to accurately reflect amounts owed to them by other parties. The departments are also responsible for recognizing revenues timely; monitoring revenues and other amounts due to the County and following-up timely on variances with amounts recorded; reviewing the accounts receivable aging; documenting collection efforts; and reviewing the collectability of accounts receivable according to statutory criteria. In addition, all accounts that are delinquent over 90 days must be turned over to the Yolo County Collections Services Division within the Department of Financial Services (DFS)."*

#### *Audit Objective/Methodology:*

To determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability over the handling of commercial accounts.

To accomplish our objective, we performed the following procedures that tested the processes and controls around the following areas:

- Inquired with staff on the process for handling commercial accounts
- Reviewed the internal controls for commercial accounts and the accounts receivable balances recorded in the Infor system and the WasteWORKS system
- Tested a sample of invoices/statements for commercial accounts

#### ***Finding #1: Accounts receivable balances in the Infor system***

The auditors reviewed the accounts receivable balances recorded in the Infor system for the months of July, August, and September 2018. The summary of accounts receivable balances and results are illustrated below.

Account No	Account Name	Description	July 2018	August 2018	September 2018
112020-0000	Accounts Receivable-JE	Accruals for commercial accounts	\$0.00	\$0.00	\$0.00
112023-0000	Accounts Receivable-Landfill	Commercial account sales and payments on account	\$655,112.73	(\$568,667.13)	(\$1,655,471.18)
112100-0000	Accts Rec-Credit Card	Clearing account for credit card payments	\$4,789.69	\$4,789.69	\$4,789.69
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112900-0000	AR-Allow For Doubtful Accts	Estimate amount for uncollectible accounts	(\$45,368.49)	(\$45,368.49)	(\$45,368.49)
<b>Total Accounts Receivable</b>			<b>\$632,809.83</b>	<b>(\$591,816.08)</b>	<b>(\$1,690,890.70)</b>

**(Figure 1) Summary of DIWM Accounts Receivable (Infor)**

Yolo County Division of Internal Audit  
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- Monthly sales for July, August, and September 2018 not recorded in the Infor system until October 2018
- August and September 2018 had negative accounts receivable balances
- Accounts receivable credit card account not reconciled with carry forward balances from prior fiscal years
- Allowance for doubtful accounts balance not reviewed on an annual basis. *The allowance for doubtful accounts balance includes 4 accounts added in fiscal years 2015-16 and 3 accounts from 2016-17. No accounts were added in fiscal year 2017-18.*

Furthermore, the DIWM does not have an established methodology/policy to calculate the allowance for doubtful accounts. Per review of the accounts recorded in the Infor system and information provided by department fiscal staff, the direct write-off method (“actual”) and the accounts receivable aging methods were used. However, the methods have not been approved by DFS.

**Recommendation 1**

*Department of Community Services – IWMD:*

The DIWM should review their procedures for recording and reconciling commercial accounts in the Infor system. In addition, the DIWM should consult with the DFS-Accounting & Financial Reporting Division on proper recording of accounts receivable and the methodology used to calculate the allowance for doubtful accounts in accordance with generally accepted accounting principles (GAAP).

*Department of Financial Services:*

The DFS-Accounting & Financial Reporting Division should consider requiring departments to perform an evaluation of the methodology used to calculate the allowance for doubtful accounts. The methodology should be approved by the Chief Financial Officer and include the following:

*According to GAAP and the Financial Accounting Standard Board (FASB) codification, an entity shall disclose a description of the accounting policies and methodology the entity used to estimate its allowance for doubtful accounts. Such a description shall identify the factors that influenced management's judgment (for example, historical losses and existing economic conditions); a discussion of risk elements relevant to particular categories of financial instruments; identification of any changes to the entity's accounting policies or methodology from the prior period and the entity's rationale for the change; the balance in the allowance at the beginning and end of each period; direct write-downs charged against the allowance; and recoveries of amounts previously charged off.*

**Finding #2: Individual accounts in the WasteWORKS system**

The auditors reviewed the aging accounts receivable report from the WasteWORKS system as of September 30, 2018. The results are illustrated below.

Aging Intervals	# of Accounts	Account Balances	% of Account Balances
Current Amount (0-30 Days)	191	\$1,042,034.55	66%
31 to 60 Days	89	\$174,686.90	11%
61 to 90 Days	63	\$85,301.70	5%
Over 90 Days	58	\$277,092.53	18%
<b>Totals</b>	<b>401</b>	<b>\$1,579,115.68</b>	<b>100%</b>

(Figure 2) DIWM Aging Accounts Receivable Report as of 9/30/2018 (WasteWORKS)

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- Accounts with no payment received in over a year continue to incur current charges
- Accounts over 90 days not referred to the Yolo County Collection Services Division for further collection
- 32 accounts totaling \$12,099 had negative accounts receivable balances
  - 10 accounts totaling \$4,178 were for credits established for customers who had participated in the Board approved Fee Waiver Program. However, the fees waived were not recorded in the general ledger or reported to the County Administrator as required by the County's Cost Recovery and Fees Policy

**Recommendation 2**

The DIWM should review their procedures for handling commercial accounts and follow-up on past due balances to ensure compliance with the Yolo County Revenue and Receivable Policy. In addition, accounts with a negative receivable balance should be resolved in the WasteWORKS system to reflect the balance due or refund owed to the customer. Furthermore, the DIWM should develop a process to ensure that the fees waived are recorded in the general ledger and reported to the County Administrator annually.

**Finding #3: Invoicing terms with the County's Master Fee Schedule**

The auditors reviewed the statements of 3 commercial accounts for the months of July, August, and September 2018. The results are illustrated below:

- Late fees of 1.5% not applied to past due balances
- Invoicing terms do not agree to the County's Master Fee Schedule (30 days after the invoice date)
- Outstanding balances carried forward to the next month receive an additional 15-day grace period as shown in the example below:

Description	Statement Date	Due Date (Based on Statement)	Grace Period
Current Charges	7/31/2018	9/15/2018	46
Balance Forward	8/31/2018	9/15/2018	15
Balance Forward	9/30/2018	10/15/2018	15
		<b>Total Days</b>	<b>76</b>

(Figure 3) Invoice Summary for Company A (July 2018 Invoice)

**Recommendation 3**

The DIWM should review their invoicing terms and conditions to ensure compliance with county policy and the approved master fee schedule.

**Finding #4: Department written policy and procedures**

The DIWM written procedures for handling commercial accounts need to be reviewed and updated. Best business practice recommends that the following components be present in the policy and procedures to ensure adequate billing, collecting of revenue and the recording of accounts receivable.

- Recording and reconciling accounts receivable balances
- Issuing monthly billings
- Reporting requirements
- Collection actions and submissions to collection agencies
- Uncollectible accounts receivable

Yolo County Division of Internal Audit  
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- Write-off requests
- Month-end and year-end closing procedures

**Recommendation 4**

The DIWM should formally develop, document, and disseminate policy and procedure to provide direction and guidance to staff for managing commercial accounts.

Yolo County Division of Internal Audit  
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**II. Cash Handling at the Scalehouse**

*Background*

The DIWM has an authorized revolving cash fund of \$1,800 to be used to make change for customer payments at the scalehouse (\$1,500) and Esparto Convenience Center (\$300).

Yolo County Cash Accounting Manual

According to the Yolo County Cash Accounting Manual, all departments of the County that handle cash have the responsibility to:

- Collect funds and deposit them in accordance with the cash receipts policy
- Supervise all cash activities so that all funds received are properly recorded, approved and deposited in accordance with County policy and procedures
- Ensure that all funds are adequately safeguarded
- Maintain separation of duties among employees handling cash
- Conduct periodic reviews of cash activities to determine that operations and systems are functioning as intended and that all applicable County policies and procedures are being followed

*Audit Objective/Methodology:*

To review internal controls over the handling of cash at the DIWM to ensure compliance with county policy and procedures.

To accomplish our objective, the following procedures were performed:

- Conducted a surprise cash count of the revolving cash funds
- Reviewed the department's cash reconciliation procedures
- Reviewed the annual revolving cash report for fiscal year 2017-18 for reported cash overages and shortages

**Finding #5: Cash overages and shortages at the Scalehouse**

The Scalehouse attendants work on a rotated schedule seven days a week. Each attendant processes an average of 900 cash transactions each month. The cash overages and shortages are recorded on a department control log noting the cash handling errors by attendant as noted below.

Attendant	Level	Fiscal Year 2017-18				Fiscal Year 2018-19 (as of 9/30/18)			
		Total Quantity	Shortage Amount	Overage Amount	Net	Total Quantity	Shortage Amount	Overage Amount	Net
A	Staff (Retired April 18)	9	\$8	\$49	\$41	0	\$0	\$0	\$0
B	Extra help	22	\$160	\$130	(\$30)	2	\$10	\$1	(\$9)
C	Staff	22	\$67	\$69	\$2	12	\$17	\$13	(\$4)
D	Staff	21	\$39	\$40	\$1	8	\$36	\$41	\$5
E	Staff (Retired Dec 18)	17	\$251	\$262	\$11	6	\$17	\$11	(\$6)
F	Staff	42	\$109	\$71	(\$38)	0	\$0	\$0	\$0
G	Staff	25	\$219	\$146	(\$72)	2	\$20	\$0	(\$20)
H	Staff (Transferred)	8	\$91	\$113	\$22	0	\$0	\$0	\$0
I	Supervisor	6	\$14	\$9	(\$5)	1	\$0	\$2	\$2
J	Supervisor	7	\$21	\$3	(\$17)	0	\$0	\$0	\$0
K	Staff	13	\$14	\$10	(\$3)	3	\$0	\$16	\$16
L	Supervisor	10	\$36	\$44	\$8	10	\$78	\$102	\$24
M	Management	2	\$113	\$113	\$0	0	\$0	\$0	\$0
N	Extra help	0	\$0	\$0	\$0	9	\$13	\$6	(\$7)
O	Staff	0	\$0	\$0	\$0	3	\$0	\$7	\$7
P	Staff	0	\$0	\$0	\$0	1	\$0	\$4	\$4
<b>Total</b>		<b>204</b>	<b>\$1,141</b>	<b>\$1,060</b>	<b>(\$80)</b>	<b>57</b>	<b>\$191</b>	<b>\$203</b>	<b>\$12</b>

**(Figure 3) Cash Handling By Attendant**



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The majority of the cash overages and shortages during the audit period were due to cash handling errors by the attendants as shown in the table below.

Category	FY17-18 Quantity	%	FY18-19 Quantity (as of 9/30/18)	%	Description
Mischange	117	57%	32	56%	Errors by Attendant
Credit card	47	23%	15	26%	Errors on credit card
No comment	33	16%	10	18%	Unexplained
Other	7	3%	0	0%	System interruption
<b>Total</b>	<b>204</b>	<b>100%</b>	<b>57</b>	<b>100%</b>	

**(Figure 4) Cash Handling Errors by Category**

The DIWM annual report for fiscal year 2017-18 reported a cash overage amount of \$1,091 and a shortage of \$1,141. The amounts reported differ from the Department of Financial Services Annual report to the Board of Supervisors for the fiscal year ending June 30, 2018 by a total of \$53 due to transactions posted under an accounting unit that is no longer in use.

**Recommendation 5**

The IWMD should review the cash overage and shortage activity by attendant on a regular basis. In addition, Section 7.1 in the Yolo County Cash Accounting Manual should be reviewed with the attendants at the scalehouse and Esparto Convenience Center.

### III. Esparto Convenience Center – Transfer Load and Activity Report

#### *Background*

The Esparto Convenience Center (ECC) is a transfer station for waste collection for residential customers in the outlying areas of Yolo County adjacent to Esparto city limits. The center is open two days a week and is operated by one attendant. At the beginning of the day, the ECC Attendant obtains the change fund at the Central Landfill and transports the cash to the ECC Facility. Collections during the day are recorded on an activity log and keyed into the cash register of type of material. The customer is given a receipt at the time of transaction. At the end of the day, the Attendant completes the activity log, closes the cash register balance ("Z" close out) for the day and delivers the cash back to the Central Landfill. The cash is processed through a cash machine for a daily cash count and the deposit is completed the next day by the assigned support position. The ECC daily activity is recorded in the WasteWORKS system for further reporting and analysis.

#### *Yolo County Cash Accounting Manual*

*According to the Yolo County Cash Accounting Manual, when cash is received by the customer, either a cash register recording is made or a pre-numbered cash receipt form is prepared. Cash receipts must be balanced at the end of each employee's shift. Daily cash register tapes must agree with the deposit transmittal form. Voided receipts shall be retained and marked "cancelled" and retained for audit purposes. The reason for the voided transaction along with the supervisor's signature should also be included on the receipt.*

#### *Audit Objective/Methodology:*

To review cash collections, loads transferred, and activity reports to ensure accountability over the ECC collections.

To accomplish our objective, we performed the following:

- Inquired with department staff regarding the cash handling of ECC collections and transfer loads
- Tested a sample of ECC deposit transactions

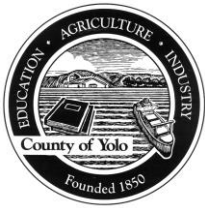
#### ***Finding #6: Esparto Convenience Center transactions***

The auditor reviewed 10 deposit transactions at ECC and found the following exceptions:

- Cash register ledger not reviewed monthly (*journal tape has a running balance of over \$500,000*)
- Start of day time stamp not on journal tape
- Keying errors not corrected until end of day. *The original keying error is recorded as a "Void" at the end of the day unless another customer brings in the same material to satisfy the material received.*
- Activity log not reviewed or signed by an independent person
- Returns not recorded in the WasteWORKS system or on activity log
- Original or returned/corrected tags not retained
- Surprise cash count not performed by the department (repeat finding)

#### **Recommendation 6:**

The DIWM should review their internal controls over cash handling at the ECC transfer station to ensure that the above noted exceptions are addressed. In addition, the written procedures for collecting, recording and reconciling collections at ECC should be updated accordingly.



# County of Yolo

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**CHAD D. RINDE, CPA**

Chief Financial Officer

**TOM HAYNES**

Assistant Chief Financial Officer

## DEPARTMENT OF FINANCIAL SERVICES

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## MEMORANDUM

**TO:** Kim Eldredge, CGAP  
Senior Auditor

**FROM:** Chad Rinde, CPA, Chief Financial Officer  
Department of Financial Services

**DATE:** 08/04/2019

**AUDIT WORK:** Report on the Internal Control Cash Audit of the Division of Integrated Waste Management, Audit No. 2019-34

**SUBJECT:** Management Response to Draft Report

In response to the Internal Control Cash Audit of the Division of Integrated Waste Management for the period of July 1, 2017 to September 30, 2018, our comments are provided below:

### ***Finding #1: Accounts receivable balances in the Infor system***

The auditors reviewed the accounts receivable balances recorded in the Infor system for the months of July, August, and September 2018. The summary of accounts receivable balances and results are illustrated below.

Account No	Account Name	Description	July 2018	August 2018	September 2018
112020-0000	Accounts Receivable-JE	Accruals for commercial accounts	\$0.00	\$0.00	\$0.00
112023-0000	Accounts Receivable-Landfill	Commercial account sales and payments on account	\$655,112.73	(\$568,667.13)	(\$1,655,471.18)
112100-0000	Accts Rec-Credit Card	Clearing account for credit card payments	\$4,789.69	\$4,789.69	\$4,789.69
112100-0003	Accts Rec-Credit Cards LF	Clearing account for credit card payments	\$18,275.90	\$17,429.85	\$5,159.28
112900-0000	AR-Allow For Doubtful Accts	Estimate amount for uncollectible accounts	(\$45,368.49)	(\$45,368.49)	(\$45,368.49)
<b>Total Accounts Receivable</b>			<b>\$632,809.83</b>	<b>(\$591,816.08)</b>	<b>(\$1,690,890.70)</b>

(Figure 1) Summary of DIWM Accounts Receivable (Infor)

- Monthly sales for July, August, and September 2018 not recorded in the Infor system until October 2018
- August and September 2018 had negative accounts receivable balances

- Accounts receivable credit card account not reconciled with carry forward balances from prior fiscal years
- Allowance for doubtful accounts balance not reviewed on an annual basis. *The allowance for doubtful accounts balance includes 4 accounts added in fiscal years 2015-16 and 3 accounts from 2016-17. No accounts were added in fiscal year 2017-18.*

Furthermore, the DIWM does not have an established methodology/policy to calculate the allowance for doubtful accounts. Per review of the accounts recorded in the Infor system and information provided by department fiscal staff, the direct write-off method (“actual”) and the accounts receivable aging methods were used. However, the methods have not been approved by DFS.

Department Response:

- a. Management position concerning the finding:

Concur                      \_\_\_\_\_ Do not concur

- b. Management comments:

Though informal discussions have occurred on the methodology, this has not been memorialized in a Policy or Procedure documented by the Division of Integrated Waste Management (DIWM). The General Accounting manager will work with DIWM to document appropriate policies and procedures which will be approved by DFS. We will perform this work during the Fiscal Year 2018/19 close and accomplish by end of September, 2019.

**Recommendation 1**

The DFS-Accounting & Financial Reporting Division should consider requiring departments to perform an evaluation of the methodology used to calculate the allowance for doubtful accounts. The methodology should be approved by the Chief Financial Officer and include the following:

*According to GAAP and the Financial Accounting Standard Board (FASB) codification, an entity shall disclose a description of the accounting policies and methodology the entity used to estimate its allowance for doubtful accounts. Such a description shall identify the factors that influenced management's judgment (for example, historical losses and existing economic conditions); a discussion of risk elements relevant to particular categories of financial instruments; identification of any changes to the entity's accounting policies or methodology from the prior period and the entity's rationale for the change; the balance in the allowance at the beginning and end of each period; direct write-downs charged against the allowance; and recoveries of amounts previously charged off.*

Department Response:

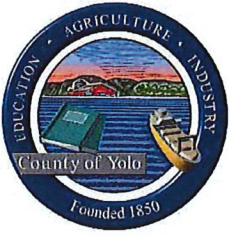
- a. Management position concerning the recommendation:

Concur                      \_\_\_\_\_ Do not concur

- b. Management comments:

The Department of Financial Services will include an overview of allowance for doubtful accounts in its Accounts Receivable training and ensure where other departments use or consider using Allowance for Doubtful Accounts that the methodology is appropriately documented and calculated on a periodic basis. The Accounts Receivables Training is currently scheduled for February, 2020.

c. Actual / estimated Date of Corrective Action: February, 2020



# County of Yolo

DEPARTMENT OF COMMUNITY SERVICES

Taro Echiburú  
DIRECTOR

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## MEMORANDUM

TO: Kim Eldredge, CGAP  
Senior Auditor

FROM: Taro Echiburú, Director *T.E.*  
Department of Community Services

DATE: 08/01/2019

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(Figure 1) Summary of DIWM Accounts Receivable (Infor)

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- Accounts receivable credit card account not reconciled with carry forward balances from prior fiscal years
- Allowance for doubtful accounts balance not reviewed on an annual basis. *The allowance for doubtful accounts balance includes 4 accounts added in fiscal years 2015-16 and 3 accounts from 2016-17. No accounts were added in fiscal year 2017-18.*

Furthermore, the DIWM does not have an established methodology/policy to calculate the allowance for doubtful accounts. Per review of the accounts recorded in the Infor system and information provided by department fiscal staff, the direct write-off method (“actual”) and the accounts receivable aging methods were used. However, the methods have not been approved by DFS.

Department Response:

- a. Management position concerning the finding:

\_\_\_\_\_ Concur                       Do not concur

- b. Management comments:

DIWM does have an established methodology/policy to calculate the allowance for doubtful accounts. The direct write-off method is used. We have not received any comments on our policy and methodology from DFS. We were not aware that we needed a signed acceptance of the method of allowance for doubtful accounts. Approval will be obtained from DFS for the proposed method by August 31, 2019.

**Recommendation 1**

The DIWM should review their procedures for recording and reconciling commercial accounts in the Infor system. In addition, the DIWM should consult with the DFS-Accounting & Financial Reporting Division on proper recording of accounts receivable and the methodology used to calculate the allowance for doubtful accounts in accordance with generally accepted accounting principles (GAAP).

Department Response:

- a. Management position concerning the recommendation:

Concur                      \_\_\_\_\_ Do not concur

- b. Management comments:

None

- c. Actual / estimated Date of Corrective Action: August 31, 2019



**Finding #2: Individual accounts in the WasteWORKS system**

The auditors reviewed the aging accounts receivable report from the WasteWORKS system as of September 30, 2018. The results are illustrated below.

Aging Intervals	# of Accounts	Account Balances	% of Account Balances
Current Amount (0-30 Days)	191	\$1,042,034.55	66%
31 to 60 Days	89	\$174,686.90	11%
61 to 90 Days	63	\$85,301.70	5%
Over 90 Days	58	\$277,092.53	18%
<b>Totals</b>	<b>401</b>	<b>\$1,579,115.68</b>	<b>100%</b>

(Figure 2) DIWM Aging Accounts Receivable Report as of 9/30/2018 (WasteWORKS)

- Accounts with no payment received in over a year continue to incur current charges
- Accounts over 90 days not referred to the Yolo County Collection Services Division for further collection
- 32 accounts totaling \$12,099 had negative accounts receivable balances
  - o 10 accounts totaling \$4,178 were for credits established for customers who had participated in the Board approved Fee Waiver Program. However, the fees waived were not recorded in the general ledger or reported to the County Administrator as required by the County's Cost Recovery and Fees Policy

Department Response:

a. Management position concerning the finding:

Partially Concur                      \_\_\_\_\_ Do not concur

b. Management comments:

As we have communicated previously, the sales for 7/18, 8/18, 9/18 were booked in October. Yes, we agree that it would be best to journal the sales on a monthly basis in Infor. But, in this case, in an effort to close year-end books, make sure all A/P, JE's, etc., for the closing year were completed and the entry for sales for the first few months was delayed. Wouldn't the first possible look at the results of the new year be the first-quarter monitor? In other words, at the end of October (for the results of the first three months of the year 7-9/18).

In regards to accounts with no payment received in over a year continuing to incur late charges; we believe this would only be late fee charges accumulating on the customer open balances. The thought is the balance is still open; and the late fees could be a negotiating amount in attempting to collect the customer open balance.

The fee waivers were recorded in Infor (to match Waste Works); but at a later date during the year.

In regards to referring, the over 90 days to collections, we will proceed with this now. In our discussions with various members of DFS, there isn't much confidence of collection any/much of the open balance once DFS receives it. Therefore, our staff have tried to collect instead. Also, it's our understanding that collections take 25% of what is collected. The thought is to keep the collection efforts at the Landfill since landfill staff are more familiar with the customers and the division could save the collection fees of 25%.



**Recommendation 2**

The DIWM should review their procedures for handling commercial accounts and follow-up on past due balances to ensure compliance with the Yolo County Revenue and Receivable Policy. In addition, accounts with a negative receivable balance should be resolved in the WasteWORKS system to reflect the balance due or refund owed to the customer. Furthermore, the DIWM should develop a process to ensure that the fees waived are recorded in the general ledger and reported to the County Administrator annually.

Department Response:

- a. Management position concerning the recommendation:

Concur                       Do not concur

- b. Management comments:

For the commercial customers which incur a negative balance (overpayment), we have made an effort to communicate with these customers. Typically, by phone to let them know if their balance is negative (credit balance). In most cases, these customers are recurring landfill customers and therefore, visit the site on a regular basis to dispose waste. Although their account balance could be negative at a specific time, new charges for the customers will make it where they owe County money. We speak with customers on the phone and generally the customers agree to leaving the credit balance on our books at the time. We agree that there are some cases where the customers no longer plan to use the landfill for disposal have overpaid and have a credit balance. In these cases, an effort is made to set them up as a vendor in Infor and refund the customer's credit balance.

- c. Actual / estimated Date of Corrective Action: In reference to fee waivers; August 31, 2019

**Finding #3: Invoicing terms with the County's Master Fee Schedule**

The auditors reviewed the statements of 3 commercial accounts for the months of July, August, and September 2018. The results are illustrated below:

- Late fees of 1.5% not applied to past due balances
- Invoicing terms do not agree to the County's Master Fee Schedule (30 days after the invoice date)
- Outstanding balances carried forward to the next month receive an additional 15-day grace period as shown in the example below:

Description	Statement Date	Due Date (Based on Statement)	Grace Period
Current Charges	7/31/2018	9/15/2018	46
Balance Forward	8/31/2018	9/15/2018	15
Balance Forward	9/30/2018	10/15/2018	15
		<b>Total Days</b>	<b>76</b>

(Figure 3) Invoice Summary for Company A (July 2018 Invoice)

Department Response:

- a. Management position concerning the finding:  
\_\_\_\_\_ Concur                    X Do not concur
- b. Management comments:

Late fees are assessed on all open balances past 45 days, at a rate of 1.5 % of the open customer balance or a minimum of \$ 5, whatever is higher. Typically, on the monthly billing cycle the late fees assessment to customers runs approx. \$ 3,500 to \$ 5,000 and late fees are charged to customers.

In regards to invoicing terms not agreeing with County Master Fee Policy as 30 days after the invoice date. Landfill's current customer application terms is 45 days. As was pointed out earlier, the account terms for the customers are in the process of being revised. The revision is to tighten up the payment terms for the customers; and to shorten collection turnaround.

We believe that there is a misunderstanding of the past due aging at the bottom of each statement. The 30-60 columns at the bottom of the statements do not fully roll over the past due amount from the prior month. This is looked at from a ticket date perspective.

**Recommendation 3**

The DIWM should review their invoicing terms and conditions to ensure compliance with county policy and the approved master fee schedule.

Department Response:

- a. Management position concerning the recommendation:  
X Concur                    \_\_\_\_\_ Do not concur
- b. Management comments:

We agree that the 45 days before considered past due seems to be too lenient for the customers account terms and will be changed to 30 days. We are working with County counsel to revise this policy within the commercial account application. The direction that is going is once the customers receive their monthly billing it is considered due. Also, we are working on establishing some deposit amounts tied with potential customers estimated volumes. The idea is to limit the landfill account customers to regular, larger waste haulers and secure these accounts with an upfront deposit. The smaller customers and short-time customers will be transitioned to credit card payments. We will prepare a comprehensive policy and procedure manual to address these issues.

- c. Actual / estimated Date of Corrective Action: December 31, 2019

**Finding #4: Department written policy and procedures**

The DIWM written procedures for handling commercial accounts need to be reviewed and updated. Best business practice recommends that the following components be present in the policy and procedures to ensure adequate billing, collecting of revenue and the recording of accounts receivable.

- Recording and reconciling accounts receivable balances
- Issuing monthly billings
- Reporting requirements

- Collection actions and submissions to collection agencies
- Uncollectible accounts receivable
- Write-off requests
- Month-end and year-end closing procedures

Department Response:

- a. Management position concerning the finding:

\_\_\_\_\_ Concur                      X Do not concur

- b. Management comments:

We have forwarded the procedure of receiving commercial payments through the mail, collection procedures, and running monthly billing. The items listed which may need further detail are year- end closing procedures. We will prepare a comprehensive policy and procedure manual which will be completed by December 31, 2019.

**Recommendation 4**

The DIWM should formally develop, document, and disseminate policy and procedure to provide direction and guidance to staff for managing commercial accounts.

Department Response:

- a. Management position concerning the recommendation:

X Concur                      \_\_\_\_\_ Do not concur

- b. Management comments:

None

- c. Actual / estimated Date of Corrective Action: December 31, 2019





- b. Management comments: Several items should be noted:
1. Staff member F with highest quantity of error is no longer working for the DIWM.
  2. Credit card and system interruption errors (poor internet connection) on a dollar basis account for approximately 80 percent of the overage and shortages and cancel each other out when an error one day that might be an overage is corrected and reported as a shortage the next. Many of these errors are due to the need to manually enter the sales from WasteWorks into the credit card Converge software. The Division is in the process of implementing a new credit card system that will be directly linked to WasteWorks which will eliminate the need to manually enter the transaction amount.

The \$ 53 of transactions were posted to a ledger account in fund; which is no longer used. The \$ 53 for overages were for transactions at the Esparto Conv Center. This amount was posted to UNWR Unicorp Cost Center. This cost center is no longer used; and the scale house deposit template has been modified to prevent this from happening again.

### Recommendation 5

The IWMD should review the cash overage and shortage activity by attendant on a regular basis. In addition, Section 7.1 in the Yolo County Cash Accounting Manual should be reviewed with the attendants at the scalehouse and Esparto Convenience Center.

#### Department Response:

- a. Management position concerning the recommendation:

Concur                       Do not concur

- b. Management comments:

Overages and shortages are already part of the employees standard goals and incorporated in their performance evaluation. The Division does not view credit card errors the same as cash errors as credit card errors are almost always correctable.

- c. Actual / estimated Date of Corrective Action: Section 7.1 of the Cash Accounting Manual will be reviewed with all attendants by August 31, 2019.

**Finding #6: Esparto Convenience Center transactions**

The auditor reviewed 10 deposit transactions at ECC and found the following exceptions:

- Cash register ledger not reviewed monthly (*journal tape has a running balance of over \$500,000*)
- Start of day time stamp not on journal tape
- Keying errors not corrected until end of day. *The original keying error is recorded as a "Void" at the end of the day unless another customer brings in the same material to satisfy the material received.*
- Activity log not reviewed or signed by an independent person
- Returns not recorded in the WasteWORKS system or on activity log
- Original or returned/corrected tags not retained
- Surprise cash count not performed by the department (repeat finding)

Department Response:

- a. Management position concerning the finding:

Concur                       Do not concur

- b. Management comments:

Generally we concur, however several items should be noted:

1. The cash register ledger is reviewed monthly. The reference to the \$500,000 running balance is a feature of the cash register we were utilizing. This running balance is non-resettable.
2. The Division has recently implemented new procedures at the Esparto Transfer Station. A computer utilizing the WasteWorks software (the same that is used at the landfill) is now utilized for all transactions. As such, many of the findings above have already been corrected and are no longer an issue.

**Recommendation 6:**

The DIWM should review their internal controls over cash handling at the ECC transfer station to ensure that the above noted exceptions are addressed. In addition, the written procedures for collecting, recording and reconciling collections at ECC should be updated accordingly.

Department Response:

- a. Management position concerning the recommendation:

Concur                       Do not concur

- b. Management comments: None

- c. Actual / estimated Date of Corrective Action: August 31, 2019