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Auditor-Controller

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ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (SUMMARY)

Board of Directors
Napa-Vallejo Waste Management Authority
1195 Third Street, Room 101
Napa, CA 94559

We have performed the procedures enumerated in the engagement letter, which was agreed to by the Manager of Napa-Vallejo Waste Management Authority (NVWMA) on behalf of the Board and Manager of the Devlin Road Transfer Station, hereafter known as DRTS. These procedures are solely to assist the designated parties with respect to the documents obtained in Step I of the Agreed-Upon Procedures as they pertain to the Revenues, Accounts Receivable and Northern Recycling & Waste Services, LLC for the quarters ended March 31, 2009 and June 30, 2009. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. A partial summary of our report dated November 16, 2009, as it pertains to the exhibits and the exceptions, is as follows:

Summary of Exhibits

1. Summary of Accounts Receivable by Account Type (fees and interest not included):

Account Type	September 30	December 31	March 31	June 30
501	\$ 74,531.59	\$ 65,240.04	\$ 91,804.38	\$ 116,179.14
500B	-	-	129.58	248.62
500C & 501C	5,697.26	5,628.22	6,068.56	5,950.28
Subtotal	80,228.85	70,868.26	98,002.52	122,378.04
Lemon Street Hauls	-	-	-	-
Total FY 2008/09	\$ 80,228.85	\$ 70,868.26	\$ 98,002.52	\$ 122,378.04
Accounts Receivable	\$ 101,782.48	\$ 82,037.35	\$ 58,875.27	\$ 51,854.81
Lemon Street Hauls	-	-	-	-
Total FY 2007/08	\$ 101,782.48	\$ 82,037.35	\$ 58,875.27	\$ 51,854.81

2. Accounts Receivable over 90 days by Account (fees and interest not included):

Account Type	September 30	December 31	March 31	June 30
501	\$ 5,057.32	\$ 5,360.20	\$ 5,569.54	\$ 6,864.72
501B	-	-	-	129.58
500C & 501C	4,968.04	4,756.52	5,422.52	5,746.20
Total FY 2008/09	\$ <u>10,025.36</u>	\$ <u>10,116.72</u>	\$ <u>10,992.06</u>	\$ <u>12,740.50</u>
Total FY 2007/08	\$ <u>7,182.25</u>	\$ <u>10,513.58</u>	\$ <u>11,987.17</u>	\$ <u>11,725.76</u>

3. Revenue Activity per the "General Ledger Transactions"

Deposit Type	Year-to-Date	30-Sep	31-Dec	31-Mar	30-Jun
Cash	\$ 1,949,441.42	\$ 582,925.46	\$ 475,739.68	\$ 390,760.46	\$ 500,015.82
Credit Card	755,366.47	215,606.13	179,607.90	154,568.08	205,584.36
Accts Receivable	9,294,697.43	2,708,488.67	2,351,804.60	2,055,698.08	2,178,706.08
Lemon Street	-	-	-	-	-
Bank Adj & Other	1,804.94	(1,736.50)	5,274.39	(1,901.83)	168.88
Total FY 2008/09	\$ <u>12,001,310.26</u>	\$ <u>3,505,283.76</u>	\$ <u>3,012,426.57</u>	\$ <u>2,599,124.79</u>	\$ <u>2,884,475.14</u>
Total FY 2007/08	\$ <u>12,583,271.12</u>	\$ <u>3,420,518.31</u>	\$ <u>3,054,082.85</u>	\$ <u>2,946,599.50</u>	\$ <u>3,162,070.46</u>

4. Cash (Overages) Shortages including Bank Adjustments and "No Pay" Activity:

For the Quarter Ended	FY 2008/09	FY 2007/08
30-Sep	\$ (184.65)	\$ 815.49
31-Dec	38.52	842.51
31-Mar	61.10	344.51
30-Jun	580.66	860.05
Year-to-Date	\$ <u>495.63</u>	\$ <u>2,862.56</u>

Accounts Receivable

Procedure: We compared the “Accounts Receivable by Name” reports as of March 31, 2009 and June 30, 2009, to the activity in each client’s account for the quarters ended March 31, 2009 and June 30, 2009, from the “Invoice Register-Summary by Customer Account Name” and “Transaction Register”.

Exception AR.1: (Updated Finding) We noted when reviewing the accounts receivable for the quarters ended March 31, 2009 and June 30, 2009 that the Transaction Register and the Accounts Receivable By Name reports reflect the balances currently due per customers’ repayment plans, where negotiated repayment plans have been agreed and not the actual accounts receivable balance. Repayment plans facilitate automated invoicing of agreed amounts. We have added a principal adjustment of \$36.66 to the Accounts Receivable report in Summary Exhibit 1.

Recommendation AR.1: We recommend that Central Collections note on the Transaction Register the original balance and terms of the payment plan position.

Exception AR2: We noted two (2) instances during the month ended March 31, 2009 when quantities over six (6) tons were charged incorrectly at the rate for quantities under six tons. The total overcharged amount of \$39.22 is small; however the exceptions demonstrate that the billable rate is entered by the operator and not automatically by the system.

Recommendation AR2: In our view utilizing the system to determine the correct rate based on material, quantity and customer identity would minimize the opportunity for incorrect charges.

Status of Prior Reports: In March 2009, a manual adjustment was made for John Kalamaras for \$228.60 based on the Board’s approval on February 6, 2009. In April 2009 a refund check was issued to Vallejo Garbage for \$513.52 and Mark Edwards Construction was invoiced and paid the \$39.60 on April 28, 2009. The credits for Vallejo Unified School District and Napa State Hospital were applied to the respective accounts in April 2009.

Revenues

Procedure: We recalculated the charges on the “Customer Load Detail Report” for 200 randomly selected transactions from each of the monthly reports for the quarters ending March 31, 2009 and June 30, 2009.

Exception R.1: (Updated Finding) During the examination of the Load Detail reports for the quarters ended March 31, 2009 and June 30, 2009, we noted 333 tickets with negative quantities, resulting in credits to cash and accounts receivable customer accounts of \$95,107.82:

Quarter Ended	Cash Customers		Accounts Receivable Customers	
	Negative Quantities	Credits	Negative Quantities	Credits
9/30/2008	37	\$ 3,571.62	68	\$ 18,284.26
12/31/2008	30	1,959.38	114	27,520.25
3/31/2009	27	2,220.98	62	15,811.28
6/30/2009	21	1,590.86	223	75,484.70
Year to date	115	\$ 9,342.84	467	\$ 137,100.49

We understand from our inquiries that negative quantities are entered to void or adjust ticket charges as necessary. However, the reasons for voiding or adjusting the tickets were not recorded in the Load Detail report.

In addition we noted that the sequence of ticket numbers is not complete. For the quarter ended March 31, 2009, the first ticket number was 186185 and the last ticket number was 210469, a sequence of 24,285 tickets, including in-bound and out-bound tickets. We noted that 450 tickets were missing from the sequence. For the quarter ended June 30, 2009, the first ticket number was 210470 and the last ticket number was 239878, a sequence of 29,409 tickets, including in-bound and out-bound tickets. We noted that 1,510 tickets were missing from the sequence.

Recommendation R.1: A meeting was held November 3, 2009 with representatives of Northern Recycling & Waste Services, LLC to discuss tickets with negative quantities as well as missing ticket numbers. It was recommended that Northern’s staff note reasons for any voided tickets in the “Comments” field and provide reports that include the complete sequence of ticket numbers used or voided during the quarter. Northern’s staff implemented a control log during the quarter ending September 30, 2009 which will document system outages or any unusual circumstances that have occurred for the need of manual tickets.

Exception R.2: (Updated Finding) During the examination of the Customer Load Detail reports for the quarters ended March 31, 2009 and June 30, 2009, we noted 1,384 tickets with the same “Time In and Time Out” entries. Tickets have the same “Time In and Time Out” when staff have input the tickets manually. We have excluded tickets for non-weighed items (e.g. auto batteries, tires, etc.), tickets for vehicles with tare weights coded into the system and tickets where the comment indicated that the ticket was entered manually to correct a previous ticket.

Quarter Ended	Cash Customers	Valley Recycling	Other A/R Customers
3/31/2009	89	791	37
6/30/2009	121	302	44
Year to date	210	1,093	81

Manual tickets may be required if the system is down, however we are unable to determine system down-time, or alternate explanations, from the reports provided. We understand from staff that Valley Recycling tickets are input manually because their trucks normally arrive prior to 5:00 a.m. and before the scale house attendants arrival. Valley Recycling subsequently provide weights on their dumps for the attendants to input and create tickets. This practice is not consistent with Article 6.04 of the contract which requires all weighing to be conducted by the Contractor or its agents and by a licensed weigh master.

Recommendation R.2: A meeting was held November 3, 2009 with representatives of Northern Recycling & Waste Services, LLC to discuss tickets with the same “Time In and Time Out”. It was recommended that data capture procedures include reasons for the input of manual tickets where the reason is not apparent from the type of material or vehicle tare weight as described above. This information will provide assurance that manual input of weights and calculation of charges is restricted to appropriate and essential circumstances. Northern’s staff implemented a control log during the quarter ending September 30, 2009 which will document system outages or any unusual circumstances that have occurred for the need of manual tickets.

Procedure: We compared the amounts reported on the “DRTS Cash Receipt Journal – Summary by Date” to the deposit slips and credit card charges, as maintained in the files of the Napa County Department of Environmental Management’s Office for the quarters ending March 31, 2009 and June 30, 2009.

Exception R.3: (Updated Finding) Eleven (11) exceptions and a net cash shortage of \$61.10 were noted for the quarter ended March 31, 2009. Twenty-five (25) exceptions and a net cash shortage of \$580.66 were noted for the quarter ended June 30, 2009.

Recommendation R.3: A meeting was held November 3, 2009 with representatives of Northern Recycling & Waste Services, LLC to discuss controls over cash, reconciliation procedures and reporting of shortages.

Procedure: We analyzed the bank adjustments posted in the “General Ledger Transactions” report and processed by the bank before posting to the General Ledger.

Exception R.4: (Updated Finding) There were three (3) bank adjustments during the quarter ended March 31, 2009 for an aggregate decrease in cash of \$100.00. There also were three (3) bank adjustments during the quarter ended June 30, 2009 for an aggregate decrease in cash of \$100.00.

Recommendation R.4: A meeting was held November 3, 2009 with representatives of Northern Recycling & Waste Services, LLC to discuss controls over cash procedures. Scale house staff should continue to compute the deposit slips; however, the staff that prepares the deposits should continue to ensure that deposits are verified and initialed by another employee at the DRTS while in their presence.

Procedure: We compared the “General Ledger Detail Transactions” report to the information obtained in the detailed break down of General Ledger Activity for the quarters ended March 31, 2009 and June 30, 2009.

Exception R.5: Based on the “General Ledger Transactions” report, and supporting documents within Napa County offices, we determined that there was one (1) instance during the quarter ended March 31, 2009 where the deposit information was not faxed by DRTS to NVWMA representatives in the Napa County Treasurer’s office. We also determined that there was one (1) instance during the quarter ended June 30, 2009 where the deposit information was not faxed by DRTS to NVWMA representatives in the Napa County Treasurer’s office.

Recommendation R.5: A meeting was held November 3, 2009 with representatives of Northern Recycling & Waste Services, LLC to discuss controls over cash procedures. Continued effort should be made by the DRTS staff to fax all deposit information to the County offices on a timely basis.

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 might have come to our attention that would have been reported to you.

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

A handwritten signature in cursive script that reads "Karen Dotson-Querin".

Karen Dotson-Querin, CPA
Internal Audit Manager
November 16, 2009