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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 Operations & Waste Services, LLC for the quarter ended December 31, 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 March 19, 2010, 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
501 - Reg	\$ 85,946.78	\$ 603,859.03
500B - No Pay	261.32	261.32
500C & 501C - NSF	4,961.16	5,689.64
Subtotal	91,169.26	609,809.99
Lemon Street Hauls	-	-
Total FY 2009/10	\$ 91,169.26	\$ 609,809.99
Accounts Receivable	\$ 80,228.85	\$ 70,868.26
Lemon Street Hauls	-	-
Total FY 2008/09	\$ 80,228.85	\$ 70,868.26

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

<u>Account Type</u>	<u>September 30</u>	<u>December 31</u>
501	\$ 10,881.25	\$ 18,505.06
501B	248.62	261.32
500C & 501C	<u>4,482.54</u>	<u>4,981.16</u>
Total FY 2009/10	\$ <u>15,612.41</u>	\$ <u>23,747.54</u>
Total FY 2008/09	\$ <u>10,025.36</u>	\$ <u>10,116.72</u>

3. Revenue Activity per the "General Ledger Transactions"

<u>Deposit Type</u>	<u>September 30</u>	<u>December 31</u>
Cash	\$ 533,260.60	\$ 439,983.28
Credit Card	221,154.52	195,424.39
Accts Receivable	2,277,656.08	1,677,337.90
Lemon Street	-	-
Bank Adj & Other	<u>1,208.95</u>	<u>(1,370.29)</u>
Total FY 2009/10	\$ <u>3,033,280.15</u>	\$ <u>2,311,375.28</u>
Total FY 2008/09	\$ <u>3,505,283.76</u>	\$ <u>3,012,426.57</u>

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

<u>For the Quarter Ended</u>	<u>FY 2009/10</u>	<u>FY 2008/09</u>
September 30	\$ (395.60)	\$ 184.65
December 31	<u>226.31</u>	<u>(38.52)</u>
Year-to-Date	\$ <u>(169.29)</u>	\$ <u>146.13</u>

Accounts Receivable (AR)

Procedure AR1 & AR2: We compared the “Accounts Receivable by Name” reports as of December 31, 2009, to the activity in each client’s account for the quarter ended December 31, 2009, from the “Invoice Register-Summary by Customer Account Name” and “Transaction Register”. We summarized the “Accounts Receivable by Name” report as of December 31, 2009 and adjusted the report for the exception noted in the prior report for City of Napa-Napa Recycling (\$306.24) in addition to the following exceptions:

Exception AR1: We noted when reviewing the accounts receivable for the month ended December 31, 2009 that a payment of \$50,475.00 received on December 22, 2009 was not posted to Napa County Recycling & Waste Services, LLC, Account 54051, until January 2010.

Exception AR2: We noted when reviewing the accounts receivable for the month ended November 30, 2009, a payment was submitted for \$2,641.04 for an invoice in the amount of \$2,461.04 for La Pierre Roofing, Account 50647, resulting in an overpayment of \$180.00.

Recommendation AR1 & AR2: We recommend that Central Collections verify all entries within the Transaction Register accounts, investigate and resolve any entries that are not appropriate and verify that all payments have been posted to the invoices in a timely manner.

Treasurer’s Response AR1: For most of December, the Treasurer’s Office had problems with the HMS posting system. The last week and a half of December, the department was unable to post payments while HMS diagnosed and corrected the software problem. The actual funds were deposited at the bank and was recorded through the PeopleSoft system upon receipt, then posted in the HMS system on January 4, 2010, when the software problems were corrected.

Treasurer’s Response AR2: The account was corrected in January 2010.

Revenues (R)

Procedure R1 to R3: We recalculated the charges on the “Scale Transaction Report” for 200 randomly selected transactions from each of the monthly reports for the quarter ending December 31, 2009.

Exception R1: (Updated Finding) During the examination of the Scale Transaction reports for the quarter ended December 31, 2009, we noted seventy (70) tickets with negative quantities, resulting in credits to cash and accounts receivable customer accounts of \$17,071.54:

Quarter Ended	Cash Customers		Accounts Receivable Customers	
	Negative Quantities	Credits	Negative Quantities	Credits
9/30/2009	25	\$ 1,468.52	855	\$ 309,862.14
12/31/2009	36	3,236.88	34	13,834.66
Year to date	61	\$ 4,705.40	889	\$ 323,696.80
9/30/2008	37	\$ 3,571.62	68	\$ 18,284.26
12/31/2008	30	1,959.38	114	27,520.25
FY 2008/2009	67	\$ 5,531.00	182	\$ 45,804.51

Exception R1: (Continued): (Updated Finding) 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 are now appearing on a monthly Void Report; however, the original ticket that the adjustment pertains to was not noted in the above instances.

We also reviewed the applicable manual end of day reconciliation forms for all tickets with negative quantities. Reasons for the negative amounts were not noted on the end of day reconciliation forms in six (6) instances out of seventy (70) tickets with negative quantities.

Exception R2: (Updated Finding) We understand that gaps in the ticket numbers within a month will appear when corrections for billing purposes are made after month end by posting replacement tickets. The system posts the replacement tickets with the date of the original ticket, but uses the next available ticket number at the time the correction is made, creating an appearance of gaps in the sequence. For the quarter ending December 31, 2009, it was noted that there were ten (10) instances when ticket numbers were issued out of sequence in the month of December.

Recommendation R1 & R2: We recommend that staff note reasons for any negative amounts in the end of day reconciliation form. The implementation of the monthly void reports have been useful for review purposes due to the comment field (described in the report as Notes) which provides a description for each ticket with a negative quantity. However, the original ticket number being adjusted and date of adjustment is posted should also be noted in the comment field. At this time, DRTS is working to incorporate the comment field into the report used for all Inbound, Outbound and Voided tickets known as the “Scale Transactions” Report.

Northern’s Response R1 & R2: We are still looking into incorporating the comments section of the tickets into the “scale transaction report” and are waiting for a response from our software provider. It should be noted that the amount of information that is put into the comments section might be too large to incorporate into the “scale transaction report”.

Exception R3: (Updated Finding) During the examination of the Scale Transaction reports for the quarter ended December 31, 2009, we noted 140 tickets with the same “Time In and Time Out” entries. Tickets have the same “Time In and Time Out” when staff has 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
9/30/2009	43	8	45
12/31/2009	39	-	101
Year to date	82	8	146
9/30/2008	429	649	178
12/31/2008	266	768	188
Year to date 2008/09	695	1,417	366

There were no tickets for Valley Recycling. Manual tickets may be required if the system is down. We were provided with dates the system was down which were noted on the Daily Reconciliation form, but no other explanations were given.

Recommendation R3: (Updated Finding) 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. It was discovered that DRTS staff has not yet implemented a control log which will document system outages or any unusual circumstances that have occurred which created a need for manual input of tickets. After discussion with DRTS staff, it was stated that a control log would be implemented on March 19, 2010.

Northern's Response R3: In a review of the 140 tickets with the same time in and out it was discovered that 94 of the tickets belong to three accounts that we use tare weights on because they always use the same truck and it maintains the same tare weight. The accounts are Napa State Hospital, Vallejo Unified School District and Vallejo Sanitation. There were 10 cash tickets in October with the same time in and out, six of those ticket replaced voided tickets and the new ticket number was noted in the comments section of the tickets. There were 15 cash tickets in November and 12 of those tickets were replacement tickets with the voided ticket number noted in the comments section of the new tickets. December had 14 cash customer tickets, 10 of those tickets were replacement tickets with the voided ticket noted in the comments section of the new ticket. There were 10 cash customer tickets that for some unknown reason had the same time in and out printed on the ticket on the outbound side of the transaction. This is a computer software problem and it was reported to the software provider with the three ticket numbers for research and resolution.

Procedure R4: 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 quarter ending December 31, 2009.

Exception R4: (Updated Finding) Sixteen (16) exceptions resulting in a net cash overage of \$226.31 inclusive of bank adjustments were noted for the quarter ended December 31, 2009. Subsequent to December 31, 2009, a bank adjustment was posted which reduced the amount to an overage of \$26.31. Of the 16 exceptions, we noted five (5) instances where cash variances were not detected by the end of day cash reconciliation completed by DRTS staff.

Recommendation R4: 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. An analysis of the quarter ending March 31, 2010 will be performed to determine impact of the conversation. Specifically the following controls will be examined:

- Cash Shortages/Overages are to be indicated on the daily reconciliation
- "No Pays" are to be indicated on the daily reconciliation

Other items discussed during the meeting included:

- Reason for voids entered in comment box with ticket number being replaced within the system or on the daily reconciliation
- A Log of system outages is to be maintained
- An all encompassing scale transaction report (lists all receipt numbers) is to be developed (This has been accomplished with the exception of adding the comment field)

Northern's Response R4: In a review of the 5 instances here are our findings.

- Transaction date 10/4/09- A \$31 shortage. The old staff at Devlin road was researching the shortage and did not find the cause.
- Transaction date 10/17/09- A \$.04 overage- This was an adding error on the cash report for 1 of the scale house staff the deposit was off by \$.04 cents.
- Transaction date 12/3/09- \$31.00 shortage- This error was resolved on 12/8/09. Ticket #284951 was voided.
- Transaction date 12/8/09- \$31.00 overage- This was a correction from the 12/3/09 ticket #284951 was voided.
- Transaction date 12/10/09 \$.40 shortage- Our records do not indicate a \$.40 error.

Procedure R5: We compared the "General Ledger Detail Transactions" report to the information obtained in the detailed break down of General Ledger Activity for the quarter ended December 31, 2009.

Exception R5: Based on the "General Ledger Transactions" report, and supporting documents within Napa County offices we determined that there were four (4) instances for an aggregate amount of \$4,805.68 during the quarter ended December 31, 2009 where the deposit information was not faxed timely.

Recommendation R5: 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 post all deposit information to the County offices on a timely basis to BoxNet.

Northern's Response R5: There were 4 instances where deposit information was not faxed at the end of the day. On 10-19-09 the weigh master attempted to fax a deposit info and the fax did not transmit a copy of the fax report was kept which shows no answer at the county. The deposit was faxed on 10-22-09 the weigh master forgot to re-fax after the first attempt failed. This deposit covered 3 separate deposit slips and the credit card deposit.

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 these specified parties.

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

Karen Dotson-Querin, CPA
Internal Audit Manager
March 19, 2010