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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, hereafter known as Northern, for the quarter ended March 31, 2010. 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 June 25, 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 *	March 31
501	\$ 85,946.78	\$ 603,846.05	\$ 78,407.68
500B	261.32	261.32	-
500C & 501C	4,961.16	5,689.64	5,096.02
Subtotal	91,169.26	609,797.01	83,503.70
Lemon Street Hauls	-	-	-
Total FY 2009/10	\$ 91,169.26	\$ 609,797.01	\$ 83,503.70
Accounts Receivable	\$ 80,228.85	\$ 70,868.26	\$ 98,002.52
Lemon Street Hauls	-	-	-
Total FY 2008/09	\$ 80,228.85	\$ 70,868.26	\$ 98,002.52

\* Restated

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

Account Type	September 30	December 31 *	March 31
501	\$ 10,881.25	\$ 18,492.08	\$ 12,836.33
501B	248.62	261.32	-
500C & 501C	<u>4,482.54</u>	<u>4,981.16</u>	<u>4,621.66</u>
Total FY 2009/10	<u>\$ 15,612.41</u>	<u>\$ 23,734.56</u>	<u>\$ 17,457.99</u>
Total FY 2008/09	<u>\$ 10,025.36</u>	<u>\$ 10,116.72</u>	<u>\$ 10,992.06</u>

\* Restated

3. Revenue Activity per the "General Ledger Transactions"

Deposit Type	Year-to-Date	September 30	December 31	March 31
Cash	\$ 1,379,743.52	\$ 533,260.60	\$ 439,983.28	\$ 406,499.64
Credit Card	607,905.99	221,154.52	195,424.39	191,327.08
Accts Receivable	6,501,062.18	2,277,656.08	1,677,337.90	2,546,068.20
Lemon Street	-	-	-	-
Bank Adj & Other	<u>(1,760.53)</u>	<u>1,208.95</u>	<u>(1,370.29)</u>	<u>(1,599.19)</u>
Total FY 2009/10	<u>\$ 8,486,951.16</u>	<u>\$ 3,033,280.15</u>	<u>\$ 2,311,375.28</u>	<u>\$ 3,142,295.73</u>
Total FY 2008/09	<u>\$ 9,116,835.12</u>	<u>\$ 3,505,283.76</u>	<u>\$ 3,012,426.57</u>	<u>\$ 2,599,124.79</u>

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

For the Quarter Ended	FY 2009/10	FY 2008/09
September 30	\$ (395.60)	\$ 184.65
December 31	226.31	(38.52)
March 31	<u>(635.86)</u>	<u>(61.10)</u>
Year-to-Date	<u>\$ (805.15)</u>	<u>\$ 85.03</u>

## Accounts Receivable (AR)

**Procedure:** We compared the “Accounts Receivable by Name” reports as of March 31, 2010, to the activity in each client’s account for the quarter ended March 31, 2010, from the “Invoice Register-Summary by Customer Account Name” and “Transaction Register”. We summarized the “Accounts Receivable by Name” report as of March 31, 2010 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 quarter ended March 31, 2010 that there were three (3) instances where the “Transaction Register” did not agree with the “Accounts Receivable by Name” report. The “Accounts Receivable by Name” reflected the correct balance. This accounted for \$386.00 of the 501C cash account balance of \$3,050.90.

**Exception AR2:** We noted when reviewing the accounts receivable for the month ended January 31, 2010, a payment of \$76.00 from Alvarado Construction, Account 52215, was not recorded. This resulted in an overstatement of the Account Receivable balance of \$76.00. This account was corrected in February 2010.

**Recommendation AR1 &AR2:** We recommend that Central Collections verify all entries within the Transaction Register accounts agree with the Accounts Receivable by Name report, investigate any differences and verify that all payments have been posted to the invoices in a timely manner.

**Treasurer’s Response AR1:** We have had this problem before and it is a small glitch in the HMS system. The accounts are correct in the April Transaction Register, with all invoices showing. Hopefully with the new upgrade coming in July or August this will not happen again. We have no control over the problems.

**Treasurer’s Response AR2:** We sometimes have problems with HMS not processing the payments. We do not know the reason for this and can not predict when it will happen. HMS has to go (behind the scenes) to correct the problem. We are in the process of updating the old system and hopefully this won’t happen after that. The \$76.00 payment on Alvarado was corrected in February.

**Exception AR3:** We noted when reviewing the accounts receivable for the quarter ended March 31, 2010, a bill for \$10,261.60 was sent to the City of Vallejo, Account 50559. The incorrect minimum amount was charged, resulting in an overbill of \$73.80. This has been corrected in April 2010.

**Recommendation AR3:** We recommend that staff verify the proper rate is being charged before closing a ticket.

**Northern’s Response AR3:** This is a software error and our software company Soft-Pak is working on resolving the issue.

**Exception AR4:** We compared the amounts charged based on the “Invoice Register-Summary by Customer Account Name” to the “Transaction Register”. In the month ended March 31, 2010, we noted an additional amount of \$173.40 was posted to Napa County Recycling & Waste Services, Account 54051, and an amount of \$173.40 was not posted to the City of Napa/Napa Garbage, Account 50558.

**Recommendation AR4:** We recommend that staff make continued effort in verifying the proper customer is being charged prior to closing a ticket.

**Northern’s Response AR4:** This error was corrected and the proper account was charged. The scale house staff has been instructed to verify that the proper account is being charged.

**Revenues (R)**

**Procedure:** We recalculated the charges on the “Scale Transaction Report” for 200 randomly selected transactions from each of the monthly reports for the quarter ended March 31, 2010.

**Exception R1:** (Updated Finding) During the examination of the Scale Transaction reports for the quarter ended March 31, 2010, we noted one-hundred-ten (110) tickets with negative quantities, resulting in credits to cash and accounts receivable customer accounts of \$22,562.74:

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
3/31/2010	28	2,365.40	82	20,197.34
Year to date	89	\$ 7,070.80	971	\$ 343,894.14
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
FY 2008/2009	94	\$ 7,751.98	244	\$ 61,615.79

**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 appear on a monthly Void Report. In review of the Void Report, no exceptions were found.

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 thirty-six (36) instances out of one-hundred-ten (110) 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 ended March 31, 2010, it was noted that there were forty-four (44) instances when ticket numbers were issued out of sequence. Twenty-six (26) of these instances pertained to the consolidation of three (3) separate accounts for an Accounts Receivable customer being consolidated into one (1).

**Recommendation R1 & R2:** We recommend that scale house staff note reasons for any negative amounts in the end of day reconciliation form. The reasons should include the original ticket number and the replacement ticket number. We also recommend that the Office Manager

keep a log of all ticket adjustments that she does. 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. 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:** The office manager will make a spreadsheet with any adjustments made and upload on to box.net with the daily reconciliation.

**Exception R3:** (Updated Finding) During the examination of the Scale Transaction reports for the quarter ended March 31, 2010, we noted one-hundred-fifteen (115) 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 Collection Contractor’s vehicles with tare weights coded into the system in accordance with the Northern contract, 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
3/31/2010	9	1	105
Year to date	91	9	251
9/30/2008	429	649	178
12/31/2008	266	768	188
3/31/2009	89	791	37
Year to date 2008/09	784	2,208	403

There was one (1) ticket 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.

**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. This control was not implemented for the quarter ended March 31, 2010.

**Northern’s Response R3:** A manual log is being maintained in the scale house, the log was started on March 19, 2010. The log has the records and reasons for the manual input.

**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 quarter ended March 31, 2010.

**Exception R4:** (Updated Finding) Twenty-one (21) exceptions resulting in a net cash shortage of \$635.86 inclusive of bank adjustments were noted for the quarter ended March 31, 2010. Of the 21 exceptions, we noted twenty (20) 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 ended March 31, 2010 was performed to determine the impact of the conversation. Specifically the following controls were examined:

- Cash Shortages/Overages are to be indicated on the daily reconciliation – 95% of the cash shortages/overages for the quarter ended March 31, 2010 were not indicated on the Daily Reconciliation.
- “No Pays” are to be indicated on the daily reconciliation – There were no “No Pays” for the quarter. Therefore, we cannot determine if this control has been implemented.

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 – This control has been implemented on the void report. DRTS is working to incorporate the comment field into the Scale Transaction report.
- A Log of system outages is to be maintained – This control has been implemented.
- 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 to the Scale Transaction report.

**Northern’s Response R4:** Any adjustments made to the deposit slips will be noted by the office manager on the daily reconciliation form of the change.

**Procedure:** We completed a comparison of the credit card payments per the “Cash Receipt Journal – Summary by Date” to the credit card payments per the deposit information for the quarter ended March 31, 2010.

**Exception R5:** Five (5) exceptions were noted out of the eighty-nine (89) summary charge slips for the quarter ended March 31, 2010. All five (5) exceptions were not noted on the Daily Reconciliation. The total credit card charges posted to the General Ledger were \$388.40 less than Northern Recycling & Waste Services, LLC records for the quarter ended March 31, 2010.

**Recommendation R5:** Continued effort should be made by scale house staff to verify payment type before closing a ticket. However, should a customer change the payment type after the ticket is closed then the scale house staff should indicate the change at the bottom of the Daily Reconciliation form.

**Northern’s Response R5:** These errors were made by one of the scale house staff. She has been instructed to note payment changes on the daily reconciliation form.

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  
June 25, 2010