



A Tradition of Stewardship
A Commitment to Service

Napa-Vallejo Waste Management Authority

Accountant's Report on Applying Agreed-Upon Procedures
For the Quarter Ended September 30, 2012

Issued by
AUDITOR-CONTROLLER
Internal Audit Section
March 20, 2013

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
AGREED-UPON PROCEDURES
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A Tradition of Stewardship
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Auditor-Controller

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Tracy A. Schulze
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EXECUTIVE SUMMARY

Board of Directors
Napa-Vallejo Waste Management Authority
1195 Third Street, Room 201
Napa, California 94559

Scope

We have performed the procedures outlined in the engagement letter, which were agreed to by the Executive Director of the Napa-Vallejo Waste Management Authority (NVWMA), on behalf of the Board and Manager of the Devlin Road Transfer Station (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 Revenue, Accounts Receivable and specified operations of Northern Recycling Operations & Waste Services, LLC (Northern), for the quarter ended September 30, 2012.

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. Responses to the findings identified in our report have been provided by Northern and the Central Collection division of the Napa County Treasurer-Tax Collector (Treasurer). We did not audit these responses and, accordingly, we express no opinion on them.

Objective

The objectives of our review were to determine:

- Whether Northern maintained internal controls over cash receipts and revenues at DRTS; and
- Whether the amount reported to NVWMA from Central Collections and Northern could be relied upon.

Procedures

Our examination was performed in accordance with the agreed-upon procedures and included examining the revenue transactions occurring at DRTS for the quarter to determine if the transactions reported to NVWMA could be relied upon.

Summarized Results

Based on the agreed-upon procedures, we noted instances of internal control weaknesses, errors, and transactions requiring notification to the Board and management as follows:

- I.A **Account Balances over 90 Days** – As of September 30, 2012, fifteen (15) accounts had balances over 90 days past due and one (1) account had a refund due for over 90 days for an aggregate amount of \$5,539.90.
- II.A **Short Pays** – During the quarter two (2) short pays occurred. One (1) short pay for \$32.32 remained unpaid as of September 30, 2012.
- III.A **Incorrect Rate Charged** – There were twenty (20) instances where the customer was incorrectly charged resulting in an aggregate overcharge of \$372.24.
- III.B **Same Time In and Out** – During the quarter there were thirty-four (34) tickets with the same “Time In” and “Time Out” that were not Collection Contractors or public agencies for an aggregate of \$38,621.22.

The agreed-upon procedures performed are available upon request. Only those procedures resulting in a finding have been reported. Detailed information of the reported findings and recommendations can be found starting on page 4.

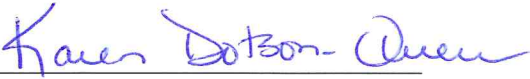
Conclusion

We determined that Northern Recycling Operations & Waste Services, LLC currently owes Napa-Vallejo Waste Management Authority \$32.36 for cash shortages occurring during the period of July 1, 2012 to September 30, 2012. The cumulative shortage for the fiscal year ending June 30, 2013 is due to Napa-Vallejo Waste Management Authority upon the receipt of a letter from the Executive Director of NVWMA in accordance with the conditions set forth in the Agreement between Northern Recycling Operations & Waste Services, LLC and Napa-Vallejo Waste Management Authority.

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 may 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 Executive Director of the Napa-Vallejo Waste Management Authority and the Manager of the Devlin Road Transfer Station and is not intended to be used by anyone other than these specified parties.

Tracy A. Schulze
Auditor-Controller

By 
Karen Dotson-Querin, CPA
Audit Manager

March 20, 2013

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

PROCEDURES WITH RESULTS

I. ACCOUNTS RECEIVABLE

A. Procedure: We obtained information from Central Collections regarding the status of accounts 90 days and over past due. The Treasurer's Central Collection Division may request Board approval to write-off the uncollectible accounts twice a year, historically in December and June.

Results A: Account Balances over 90 Days – All accounts over 90 days and their status have been presented in Exhibit A on page 7 for an aggregate amount of \$5,545.69, including fees and interest, which is a decrease of \$3,454.14 compared to the prior quarter balance of \$8,999.83. See Exhibit A on page 7 for a detailed listing of the "Accounts Receivable Activity over 90 Days".

Treasurer's Response A: See Exhibit A for Treasurer's Collection Measures.

II. REVENUE

A. Procedure: Using the Scale Transaction Reports, we summarized the total cash, check, and credit card payments for each day and calculated the monthly total. We completed a comparison of the payments per the Scale Transaction Report to the payments per the deposit information for the quarter ended September 30, 2012. We have summarized our comparison and findings in Exhibit C on page 9 ("Summary of Cash (Shortage) Overage").

Results A: Four (4) exceptions, resulting in a net cash shortage of \$32.36 inclusive of bank adjustments, were noted for the quarter ended September 30, 2012. Exceptions have been presented in Exhibit C, "Summary of Cash (Shortage) Overage". The year-to-date cash shortage is \$32.36. Additionally, we noted the following exception:

Exception A: Short Pays - During the quarter ended September 30, 2012, two (2) short pays occurred for an aggregate amount of \$50.40. The majority of the cash shortage of \$32.36 was a result of one (1) short pay ticket (#544361) in the amount of \$32.32 that had not been paid by September 30, 2012.

Recommendation A: In accordance with the Short Pay Summary Report Procedures, effective November 1, 2012, it is recommended that the customer information be submitted to Central Collections on a monthly basis. When a customer short pays, DRTS Staff should record the short pay activity on the DRTS Short Pay Summary Report Form at the time of reconciliation. If the customer fails to return to the Transfer Station to make payment within three (3) days, then the customer information should be referred to the Central Collections Department when the amount owed is \$20 or more.

Northern's Response A: A new short pay procedure was reviewed and approved put into effect on October 31, 2012. The new short pay procedure is stated in the Recommendation II.A and is being followed by scale house staff.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

PROCEDURES WITH RESULTS

III. INTERNAL CONTROLS

A. Procedure: We analyzed every ticket on the Scale Transaction Report and determined if:

1. Tonnage was charged at the appropriate rate.
2. The minimum vehicle charge was applied.
3. Tare amounts were included on the Scale Transaction Report for each ticket.

The appropriate rate and minimum vehicle charge are based on the current fees in Resolution #2011-08 increased annually by \$1, which was adopted by NVWMA Board of Directors on June 2, 2011.

Exception A: Incorrect Rate Charged - As a result of this procedure, we noted twenty (20) instances where the customer was charged incorrectly resulting in an aggregate overcharge of \$372.24. The following is a table of the incorrectly charged tickets.

**Table 1
Incorrectly Charged Tickets**

<u>Description of Finding</u>	<u>Instances</u>	<u>Amount</u>
Franchise Hauler Charged Non-franchise Rate	13	\$388.15
Non-franchise Customer Undercharged	6	(14.91)
Minimum Charge Policy Not Applied	1	(1.00)
	<u>20</u>	<u>\$372.24</u>

Recommendation A: It is recommended that Northern verify that the Soft-Pak system is programmed to charge all customers at the correct rates. Northern should submit a billing adjustment to Central Collections to correct the affected accounts receivable customers.

Northern's Response A: Billing adjustment forms were submitted on January 28, 2013 to correct the pricing problem.

B. Procedure: We examined the Scale Transaction Reports for the quarter ended September 30, 2012 and noted transactions with the same "Time In" and "Time Out". Tickets have the same "Time In" and "Time Out" when staff manually input the tickets. Manual tickets may be required if the system is down. We excluded tickets for non-weighed items (e.g. auto batteries, tires, etc.), tickets for Collection Contractor's vehicles and public agencies 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. As a result of this procedure we noted the following exception:

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

PROCEDURES WITH RESULTS

III. INTERNAL CONTROLS (Continued)

Exception B: Same Time In and Out – We noted thirty-four (34) tickets with the same “Time In” and “Time Out” entries for an aggregate amount of \$38,621.22 for inbound materials. There were five (5) tickets with the same time entry for a cash customer and twenty-nine (29) tickets for non-franchise accounts receivable customers.

The twenty-nine (29) non-franchise accounts receivable tickets were for accounts #50730 (1 ticket), #60397 (1 ticket) and #60598 (27 tickets). The tickets did not pertain to non-weighed items, Collection Contractors, or public agencies and did not have an explanation provided to determine if the tickets were replacement tickets.

It should be noted that the contract between Northern and NVWMA currently provides for the storing of tare weights for Collection Contractors’ vehicles. On June 1, 2011, the Executive Director authorized DRTS to utilize tare weights of vehicles of public agencies. As such, Northern shall be responsible for the contractual duty of ensuring the accuracy of the tare weights (i.e. re-weighing of vehicles no less than two (2) times per year) of the public agencies, as well as the Collection Contractors’ vehicles.

Recommendation B: During the quarter ended September 30, 2012, DRTS was not authorized to utilize stored tare weights for non-franchise private contractors. We recommend that if DRTS intends to utilize stored tare weights for non-franchise private contractors, then DRTS needs to contact the NVWMA’s Executive Director to discuss implementing the appropriate procedures.

We recommend that reasons for manual input of tickets continue to be noted in the comment field within Soft-Pak. In addition to noting the reasons within Soft-Pak, the reasons for manual entry should also be noted on the Daily Reconciliation Forms when reason for manual entry is not apparent.

Northern’s Response B: The five cash customer and account 50730 and 60397 which had recorded same time in and out on the tickets were manual tickets. The reason for the manual entry was noted on each ticket in the comment section which is the agreed upon procedure. The 27 tickets for account 60598 were C&D loads that were hauled by a transfer truck and trailer that has a stored tare weight.

Exhibit A

**Napa-Vallejo Waste Management Authority
Accounts Receivable Activity Over 90 Days
Per Central Collections
As of September 30, 2012**

<u>Account Number</u>	<u>Total</u>	<u>Collection Measures*</u>
Account 501 - General A/R		
Cannaday Construction	\$ 743.92	Promised payments
City of Vallejo	(5.79)	Not Applicable - Refund due for over 90 days.
Commercial Development Consulting	54.60	Continue collection procedures
Davis Trucking	32.00	Per NVWMA-no info. Rec'd on customer. Will request writeoff.
Napa Valley Door and Trim	249.40	Hold placed with NVWMA
Noble House Construction & Dev	189.80	Hold placed with NVWMA
On Time Maintenance Service	1,726.60	Small Claims Judgement
Recology Vallejo/Vallejo Garbage	298.50	Customer still researching difference
Virtue Development Group LLC	88.40	Hold placed with NVWMA
Subtotal - 501 - General A/R	<u>3,377.43</u>	
Account 501C - NSF A/R		
Classic Construction	77.00	Continue collection procedures
Golden Gate Roofing Service	783.48	Small Claims Judgement
Grossi, Paul E DBA North Bay Roofing	179.55	Continue collection procedures
Hernandez, Ruben	678.44	Small Claims Judgement
Morgan Peabody LTD	291.00	Small Claims Judgement
Rojas, Steven/ Agua Fresca Pool & Spa	77.00	Continue collection procedures
Spangler, Billy	76.00	Continue collection procedures
Subtotal - 501C - NSF A/R	<u>2,162.47</u>	
Total A/R	<u>\$ 5,539.90</u>	

*Collection measures provided by Central Collections.

Exhibit B

**Napa-Vallejo Waste Management Authority
Analysis of General Ledger Activity
July 1, 2012 through September 30, 2012**

	General Ledger Total	Components			
		Visa / MC	Deposit Slip	CAMS	Other
JULY	\$ 1,267,982.35	\$ 92,986.42	\$ 152,725.55	\$ 1,022,224.38	\$ 46.00
AUGUST	735,575.91	108,710.22	159,415.98	464,658.09	2,791.62
SEPTEMBER	920,189.31	90,138.42	147,422.80	682,736.07	(107.98)
QUARTER	<u>\$ 2,923,747.57</u>	<u>\$ 291,835.06</u>	<u>\$ 459,564.33</u>	<u>\$ 2,169,618.54</u>	<u>\$ 2,729.64</u>

^a

Explanation of Bank Adjustments & Other:	Instances	Amount
Refund/Returned Checks - Non Sufficient Funds (NSF)	1	\$ (33.00)
Mispasted Deposits	3	2,445.18
Uncollectible Writeoff	1	2,762.64
Correction of Mispasted Deposits	3	(2,445.18)
	<u>8</u>	<u>\$ 2,729.64</u>

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Detail is available upon request from the Napa County Auditor-Controller's Office

Exhibit C

**Napa-Vallejo Waste Management Authority
Summary of Cash (Shortage) Overage
For the Quarter Ended September 30, 2012**

<u>Description</u>	<u>Quarter Ended Sep. 30, 2012</u>	<u>Year to Date</u>
Deposit Slips	\$ 483,944.27	\$ 483,944.27
VISA Slips	305,778.26	305,778.26
Subtotal	789,722.53	789,722.53
Deposits Per Cash Report	789,754.89	789,754.89
Cash (Shortage) Overage	(32.36)	(32.36)
Bank Adjustments	-	-
Net Cash (Shortage) Overage	<u>\$ (32.36) a</u>	<u>\$ (32.36)</u>

<u>Shortage is caused by the following:</u>	<u>Instances</u>	<u>Total</u>
Cash shortage	1	\$ (0.04)
Short Pay	2	(50.40)
Payment of Short Pay	1	18.08
Net Cash (Shortage) Overage	<u>4</u>	<u>\$ (32.36) a</u>

Appendix A

Napa-Vallejo Waste Management Authority
For the Quarter Ended September 30, 2012

Additional Information
Tickets with Negative Amounts

	<u>July</u>	<u>August</u>	<u>September</u>	<u>Quarter Ending 9/30/12</u>	<u>Quarter Ending 6/30/12</u>
Cash Tickets	7	5	8	20	13
A/R Tickets	10	12	6	28	35
Total Tickets	<u>17</u>	<u>17</u>	<u>14</u>	<u>48</u>	<u>48</u>
Cash Amount	\$ (490)	\$ (1,452)	\$ (520)	\$ (2,462)	\$ (570)
A/R Amount	<u>(2,546)</u>	<u>(3,632)</u>	<u>(3,086)</u>	<u>(9,264)</u>	<u>(11,117)</u>
Total Amount	<u>\$ (3,036)</u>	<u>\$ (5,084)</u>	<u>\$ (3,606)</u>	<u>\$ (11,726)</u>	<u>\$ (11,687)</u>