



# COUNTY of NAPA

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## SUMMARY OF ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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 Allied Waste's, hereafter known as Allied, fees for the DRTS for the six months ended December 31, 2004. 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 5, 2006, 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	December 31, 2004	September 30, 2004
500	\$ 197,774.86	\$ 189,286.84
500B	556.16	598.84
500C	2,045.96	1,751.66
Subtotal	200,376.98	191,637.34
Lemon Street Hauls	-	65,688.84
Total FY 2004/05	\$ 200,376.98	\$ 257,326.18
Accounts Receivable	\$ 140,142.53	\$ 219,511.57
Lemon Street Hauls	145,773.54	94,944.42
Total FY 2003/04	\$ 285,916.07	\$ 314,455.99

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

<u>Account Type</u>	<u>December 31, 2004</u>	<u>September 30, 2004</u>
500	\$ 16,392.52	\$ 20,916.75
500B	529.22	432.62
500C	<u>1,733.66</u>	<u>1,368.74</u>
Total FY 2004/05	\$ <u>18,655.40</u>	\$ <u>22,718.11</u>
Total FY 2003/04	\$ <u>14,957.89</u>	\$ <u>14,160.86</u>

3. Revenue Activity per the "General Ledger Transactions"

<u>Deposit Type</u>	<u>Year-to-Date</u>	<u>Dec-31, 2004</u>	<u>Sep-30, 2004</u>
Cash	\$ 1,484,035.92	\$ 659,785.72	\$ 824,250.20
Credit Card	262,838.83	124,474.64	138,364.19
Accts Receivable	4,827,227.10	2,294,374.13	2,532,852.97
Keller Canyon	225,688.82	135,359.78	90,329.04
Bank Adj & Other	<u>329.15</u>	<u>2,319.43</u>	<u>(1,990.28)</u>
Total FY 2004/05	\$ <u>6,800,119.82</u>	\$ <u>3,216,313.70</u>	\$ <u>3,583,806.12</u>
Total FY 2003/04	\$ <u>6,438,264.65</u>	\$ <u>3,145,294.79</u>	\$ <u>3,292,969.86</u>

4. Cash Overages (Shortages):

<u>For the Quarter Ended</u>	<u>FY 2004/05</u>	<u>FY 2003/04</u>
June 30	\$ -	\$ (522.07)
March 31	-	371.85
December 31	(146.49)	(390.04)
September 30	<u>(770.43)</u>	<u>(4,071.87)</u>
Year-to-Date	\$ <u>(916.92)</u>	\$ <u>(4,612.13)</u>

## Summary of Exceptions/Recommendations

### Accounts Receivable

- A. We compared the “Accounts Receivable by Name” report as of December 31, 2004 and September 30, 2004, to the activity in each client’s account for the respective quarters from the “Invoice Register-Summary by Customer Account Name” report and “Transaction Register” report. We summarized the “Accounts Receivable by Name” report as of December 31, 2004 and adjusted the report by the exceptions noted below.

- Exception A.1:** August 2004 Gary Jordan \$140.00  
(Two (2) June 21, 2004 bills for \$105 & \$35 did not appear on the 500C Transaction Register for August 2004 to December 2004. Based on research by the Treasurer-Tax Collector’s Office the bill belongs to another entity and will be removed from the next NVWMA report.)
- Exception A.2:** July 2003 forward SJR Roofing and Sheet Metal \$259.41  
(Error continues to increase by 12 to 13% each quarter. Central Collections staff reconciles the activity in the HMS system to ensure all balances are accurate and are aware of this error. This account was resolved when these charges were written off on April 14, 2005.)
- Exception A.3:** November 2003 Cello & Maudru \$91.80  
(Recognition of a refund check in October 2002 needs to be recognized in HMS. The account was corrected in January 2006.)
- Exception A.4:** December 2004 Joann Bergmans (\$88.70)  
(Payment was reflected on the Station Lists, but did not appear in the Transaction Registers – corrected March 2005.)

**Recommendation A.1 to A.4:** We recommend that the Central Collections staff reconcile the activity in the HMS system to ensure all balances are accurate. The reconciliation should include an examination of all accounts receiving interest and penalty fees, an examination of all accounts receiving manual adjustments, and a comparison between grand totals of the “Transaction Register” and “Accounts Receivable by Name” reports. If discrepancies are noted during the reconciliation, they should be corrected and the supporting documentation should be included with the monthly information submitted to the Auditor-Controller’s office for review. The Central Collections staff must research the activity in the accounts mentioned in exceptions A.1 to A.4 and resolve any remaining errors in the balances.

**Exception A.5:** During the examination of the administration fees and interest charges posted by Central Collections to the “Landfill Fee” trust, it was noted that the amount transferred to the Central Collection’s trust account were less the amount collected for administration fees and interest payments. The amount owed by NVWMA’s “Landfill Fee” trust to the Treasurer’s “Central Collection” trust as of December 31, 2004 was \$501.57.

**Recommendation A.5:** It is recommended that the Treasurer’s office utilize a spreadsheet similar to the spreadsheet used by the Internal Audit staff in determining the amount of Administration Fees and Interest that should be transferred between the “Central Collection” trust and “Landfill Fee” trust.

**Exception A.6:** During the examination of the “Transaction Register” for the month of March 2004, we noted that \$0.86 was written-off the balance due for Art Tech Roofing. The adjustment writing off this balance was done in error; a write-off was not intended. The balance of \$0.86 remained from an unpaid portion of the November 2003 billing.

**Recommendation A.6:** Seek approval from the Board to write-off \$0.86 from the Art Tech Roofing accounts receivable balance.

- B.** We compared the amounts charged based on the “Invoice Register-Summary by Customer Account Name” to the “Transaction Register”.

**Exception:** A short/no pay amount of \$11.92 dated December 27, 2004 was not provided to Central Collections nor was it listed on the “Short or No Pay Quarterly report”. The amount was listed in the December 27, 2004 daily reconciliation of cash by DRTS Scale house staff. A notice should have been sent to Central Collections so that an account could have been created under the 500B client. The amount was subsequently paid at the transfer station on January 12, 2005.

**Recommendation:** A detail review should be made once a week of the daily reconciliations performed by the DRTS staff. The activity marked on the daily reconciliations as “Short or No Pay” must be included in the “Short or No Pay Quarterly Report” and reported to the Treasurer’s office when payment is not rendered within 3 days.

- C.** We compared all amounts over \$1,000 on the “Invoice Register-Summary by Customer Account Name” to the “Customer Detail – Customer Activity Report”.

**Exception:** On the Invoice Register (Summary by Customer Account Name) from Allied for July 2004 billed in August 2004, the account balance for Allen’s Hauling did not agree to the amount in the Customer Activity Report (Customer Account Detail) from Allied. The summary report showed a balance of \$2,002.14, while the detail report showed a balance of \$2,020.14.

**Recommendation:** We recommend that Allied investigates this variance, and the reason for its occurrence. In addition, ensure that the detailed reports are being run prior to the summary reports, if possible.

## Revenues

- A. We compared payments made to the collection agency reflected on the “Transaction Register” to the “General Ledger Detail Transactions” reports.

**Exception:** A receipt of \$88.70 to the account of Bergmans Joann appeared on the “Station List” of December 2, 2004 but did not appear on the “Transaction Register” for December 2004 or in the General Ledger Detail Transactions. The Treasurer/Tax Collector’s Office subsequently corrected the receipt by journal entry on March 3, 2005.

- B. We compared credit card charges included in the “DRTS Cash Receipt Journal” to the “General Ledger Transactions” report.

**Exception:** Seventy-two (72) variances were noted out of one-hundred and eighty-two (182) summary charge slips for the six (6) months ended December 31, 2004. Credit card receipts in Allied’s “DRTS Cash Receipt Journal” were \$46.85 greater than the amount posted to the General Ledger.

**Recommendation:** Staff enter the payment type when the client enters the facility on the inbound scale. However, staff may not be changing the coding if the payment rendered is different at the outbound scale. If a ticket is closed before the payment type is changed, then a copy of the cash reconciliation for the day will need to be provided to the Auditor-Controller’s office to account for the discrepancy.

- C. We compared the amounts reported on the “DRTS Cash Receipt Journal – Summary by Name” to the deposit slips and credit card charges, as maintained in the files of the Napa County Department of Environmental Management’s Office.

**Exception:** A cash shortage of \$916.92 was calculated for the six months ending December 31, 2004. This compares to a cash shortage of \$4,461.91 for the six months ending December 31, 2003.

**Recommendation:** If the self-hauler avoids the second window without paying or fills out a “no pay” sheet at the second window, an open invoice will result in the system. The DRTS staff is researching how these open invoices are currently being accounted for in the system and whether a report can be produced on a daily and monthly basis to assist in the reconciliation of the cash.

- D. We compared the bank adjustments to the amounts posted in the “General Ledger Transactions” report.

**Exception:** There were sixteen (16) bank adjustments processed through the General Ledger during the six months ended December 31, 2004 for an aggregate amount of (\$1,411.65).

**Recommendation:** Scale house staff compute the deposit slips. Staff that prepared the deposits should continue to ensure that deposits are verified and initialed by another employee at the DRTS while in their presence.

E. We traced the tickets that were not paid at the time the transfer station was used and determined if they were paid at a later date for each of the quarters ended September 30, 2004 and December 31, 2004.

**Exception:** The following exceptions were noted in respect of the Short/No Pay Quarterly Report during the quarter ended September 30, 2004:

- Short payment and subsequent payment in full did not appear on the report, although did appear on 500B Transaction Register. – One (1) exception.
- Payment did not appear on report, although did appear on 500B Transaction Register – Five (5) exceptions.
- Adjustment was made to the account in 500B, but was not reflected in the Short Pay Quarterly Report. – One (1) exception.

One (1) exception was noted during the quarter ended December 31, 2004.

- Short payment and subsequent recording to 500B was not reflected – One (1) exception.

**Recommendation:** A discussion needs to take place with NVWMA staff, the Auditor’s Office, and management of the Devlin Road Transfer Station to determine if the Short/No Pay Report is practical to continue or if the information can be obtained from the daily cash reconciliations.

F. We compared the “General Ledger Detail Transactions” report to the information obtained in the detailed break down of General Ledger Activity:

**Exception F.1:** There were two (2) instances, which are comprised of four (4) transactions, during the six months ended December 31, 2004, where deposit information was not faxed by DRTS to NVWMA representatives in the Napa County Treasurer’s office. \$9,468.22

**Exception F.2:** There were one (1) instances during the six months ended December 31, 2004, where deposit information was not faxed timely by DRTS to NVWMA representatives in the Napa County Treasurer’s office. \$2,049.28

**Recommendation F.1 & F.2:** Continued effort by the DRTS staff should be made to fax complete deposit information to the County offices on a timely basis.

**Exception F.3:** It was determined that there were ten (10) instances where transactions were posted incorrectly to the NVWMA General Ledger account. \$2,329.72

**Recommendation F.3:** Continued effort by the Napa County Treasurer’s office staff should be made to record monetary information in an accurate manner.

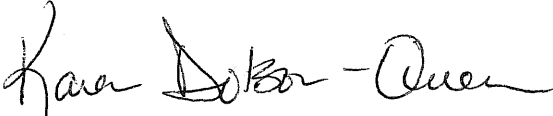
**Exception F.5:** It was determined that there was one (1) instance where a check was returned for non-sufficient funds (NSF) that was not recorded in 500C.

\$106.38

**Recommendation F.5:** Procedures have since changed, and now the Treasurer's Office gives copies of returned NSF checks to both Environmental Management and to Central Collections.

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.



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Internal Audit Manager

June 5, 2006