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Auditor-Controller

1195 Third Street · Suite B10
Napa, CA 94559
www.co.napa.ca.us

Main: (707) 253-4551
Fax: (707) 226-9065

Pamela A. Kindig
Auditor-Controller

Tracy Schulze
Assistant Auditor-Controller

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 fees for the DRTS for the quarter ended September 30, 2007. 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 25, 2008 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	Sept. 30, 2007
500	\$ 94,828.84
500B	28.60
500C	6,925.04
Subtotal	101,782.48
Lemon Street Hauls	-
Total FY 2007/08	\$ 101,782.48
Accounts Receivable	\$ 477,883.03
Lemon Street Hauls	15,906.24
Total FY 2006/07	\$ 493,789.27

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

Account Type	Sept. 30, 2007
500	\$ 2,093.93
500B	28.60
500C	5,059.72
 Total FY 2007/08	 \$ <u><u>7,182.25</u></u>
 Total FY 2006/07	 \$ <u><u>3,332.41</u></u>

3. Revenue Activity per the "General Ledger Transactions"

Deposit Type	Year-to-Date	Sep-30, 2007
Cash	\$ 741,550.16	\$ 741,550.16
Credit Card	71,914.50	71,914.50
Accts Receivable	2,533,236.52	2,533,236.52
Lemon Street	76,223.84	76,223.84
Bank Adj & Other	(2,406.71)	(2,406.71)
 Total FY 2007/08	 \$ <u><u>3,420,518.31</u></u>	 \$ <u><u>3,420,518.31</u></u>
 Total FY 2006/07	 \$ <u><u>3,314,628.94</u></u>	 \$ <u><u>3,314,628.94</u></u>

4. Cash Overages (Shortages):

For the Quarter Ended	FY 2007/08	FY 2006/07
September 30	\$ <u><u>(815.49)</u></u>	\$ <u><u>(876.35)</u></u>
Year-to-Date	\$ <u><u>(815.49)</u></u>	\$ <u><u>(876.35)</u></u>

Accounts Receivable

We compared the “Accounts Receivable by Name” reports as of September 30, 2007, to the activity in each client’s account for the quarter ended September 30, 2007, from the “Invoice Register-Summary by Customer Account Name” and “Transaction Register”. We summarized the “Accounts Receivable by Name” report as of September 30, 2007 and adjusted the report for the exceptions noted in prior reports for Norman Wells (\$266.56), Mark Edwards Construction (\$6.40), Vallejo Unified School District (76.42) and Napa State Hospital (16.60) in addition to the following exceptions:

Exception AR 1: During the examination of the “Invoice Register” for the quarter ended September 30, 2007, it was discovered that an invoice for \$228.60 on July 3, 2007 under the Customer name, “John Kalamaras” did not appear on the Transaction Register for August 2007. Ticket #919 was processed as a Cash Customer, but the name, “John Kalamaras” was listed under the Customer Name instead of “Cash Customer” which indicates that this transaction should have been invoiced. In checking with the Treasurer-Tax Collector’s Central Collections department, it was verified that an account was never set up for this customer and therefore, the customer did not get invoiced for a bill. Also, it was determined that a cash shortage in the amount of \$228.60 occurred on July 3, 2007, which confirms that the customer never paid in cash.

Recommendation AR 1: Scale House Staff should ensure that their reconciliation procedures are current and used effectively in detecting errors. Continued effort should be made to ensure that customers are charged the correct material rate and the type of payment is accurately selected in order to prevent customers from being billed incorrectly or not getting charged at all.

Exception AR 2: During the examination of the “Transaction Register” for the quarter ended September 30, 2007 we noted seventeen (17) tickets charged to American Canyon Recycling & Disposal that should have been charged to Vallejo Garbage and four (4) tickets charged to Vallejo Garbage that should have been charged to American Canyon Recycling & Disposal for a total aggregate adjustment of \$3,670.80. Similar adjustments have been required each quarter beginning the quarter ended March 31, 2006. The charges were corrected within the quarter, however the continuing effort required in making these adjustments represents an unnecessary cost.

Recommendation AR 2: Drivers of American Canyon Recycling & Disposal / Vallejo Garbage vehicles should identify for the scale operator the correct account to be charged when they are hauling for the other’s account.

Exception AR 3: We noted that in recalculating charges for vehicles in the month of August for activity in July, there was an undercharge for the City of Vallejo for \$194.26 and an overcharge for Greater Vallejo Recreation District (GVRD) in the amount of \$8.40 which came to a total of \$185.86. We noted that in the month of September for activity in August, the preferred ton rate for vehicles of authorized franchise haulers was also charged to vehicles hauling for three (3) non-franchisee accounts; City of Vallejo, Greater Vallejo Recreation District (GVRD), and Vallejo Sanitation & Flood resulting in an undercharge of \$394.96. We have calculated a resulting undercharge of \$580.82 for the quarter ended September 30, 2007.

Exception AR 4: We expanded our testing of the Customer Detail Report to quantify the exceptions noted in C.1 above. As a result of the expanded testing we noted that tarp credit ticket numbers 785030-00 and 779573-00, issued in June 2007, have negative billing quantities and as a result, customers incurred charges instead of their accounts receiving credits for proper tarps. Napa State Hospital incurred charges of \$16.60 and Vallejo Unified School District incurred charges of \$24.36.

Recommendation AR 3 & 4: We recommend that Authority staff review current procedures to ensure that the new procedures would detect such errors. Authority staff should issue credit adjustment notes to Central Collections for the affected invoice customers. We understand that the adjustments cannot be entered in the Accounts Receivable system for invoices that have been paid. Adjustments will need to be made to current invoices and referenced in notes to the respective prior invoices.

Revenues

We recalculated the charges on the “Customer Load Detail Report” for 200 randomly selected transactions from each of the monthly reports for the quarter ended September 30, 2007.

Exception R 1: We examined the “Customer Load Detail Report” for the quarter ended September 30, 2007. As noted in previous reports, loads weighed at 0.38 tons to 0.44 tons (760 – 880 pounds) have been charged at the \$27 flat rate. This pricing is not in line with the wording of the schedule of fees adopted by Authority Resolution #07-01 which became effective February 1, 2007. The resolution as it applies to non-franchised vehicles stipulates that weighed loads of more than 740 pounds will be charged at \$60 per ton or fraction thereof. At that rate, a load of 0.37 tons would be charged \$22.80 and a load of 0.44 tons would be charged \$26.40. We have calculated an overcharge as a result of these exceptions for all cash and invoice customers of \$1,154.36 during the quarter ended September 30, 2007.

Recommendation R 1: We recommend incorporating into the resolution a minimum charge for weighed loads at the same rate as the existing minimum for bed-level loads. This change to the resolution will support the actual prices currently charged.

Exception R 2: Resolution 07-01 effective February 1, 2007 includes a \$2 surcharge in addition to regular charges, per non-franchise vehicle that had not been implemented as of September 30 2007. We have calculated the charge which would have applied for the quarter ended September 30, 2007 at \$52,848.

Recommendation R 2: The \$2 per vehicle surcharge was implemented in January 2008. We recommend that staff consult with the Board on potential action to recover the lost revenue from the contractor for the prior quarters.

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.

Exception R 3: Thirty-seven (37) exceptions and a net cash shortage of \$815.49 were noted for the quarter ended September 30, 2007. As of September 30, 2007, there was a year to date net cash shortage of \$815.49 before bank adjustments and payments received on “No Pay” customers.

Recommendation R 3: Northern Recycling & Waste Services, LLC should go over their reconciliation procedures to ensure that the current procedures are effective at minimizing discrepancies such as reconciliation sheets not footing, credit cards not accounted for accurately and amounts noted as unknown.

We compared credit card charges included in the “DRTS Cash Receipt Journal – Summary By Date” to the “General Ledger Transactions” report.

Exception R 4: One (1) exception was noted out of forty-five (45) summary charge slips for the quarter ended September 30, 2007. Credit card charges posted to the General Ledger were \$4.46 more than Northern Recycling & Waste Services, LLC records for the quarter ended September 30, 2007.

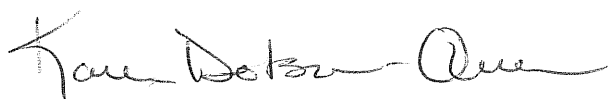
Recommendation R 4: Continued effort should be made by scale house staff to verify payment type before closing a ticket. It is recommended that management acknowledge the scale house staff for the marked improvement.

We compared the bank adjustments to the amounts posted in the “General Ledger Transactions” report. There were no bank adjustments in the quarter ended September 30, 2007.

We compared the “General Ledger Detail Transactions” report to the information obtained in the detailed break down of General Ledger Activity. There were no instances during the quarter ended September 30, 2007 where the deposit information was not posted by the Treasury staff to the GL timely and no instances during the quarter ended September 30, 2007 where deposit information was not faxed timely by DRTS to NVWMA representatives in the Napa County Treasurer’s office.

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.



Karen Dotson-Querin, CPA
Internal Audit Manager
March 25, 2008