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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 & Waste Services, LLC fees for the DRTS for the quarter ended December 31, 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 November 7, 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	September 30	December 31
501	\$ 94,828.84	\$ 74,826.61
500B	28.60	28.60
500C & 501C	6,925.04	7,182.14
Subtotal	101,782.48	82,037.35
Lemon Street Hauls	-	-
Total FY 2007/08	\$ 101,782.48	\$ 82,037.35
Accounts Receivable	\$ 477,883.03	\$ 444,655.86
Lemon Street Hauls	15,906.24	-
Total FY 2006/07	\$ 493,789.27	\$ 444,655.86

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

Account Type	September 30	December 31
501	\$ 2,093.93	\$ 4,399.90
500B	28.60	28.60
500C & 501C	<u>5,059.72</u>	<u>6,085.08</u>
Total FY 2007/08	\$ <u>7,182.25</u>	\$ <u>10,513.58</u>
Total FY 2006/07	\$ <u>3,332.41</u>	\$ <u>8,717.07</u>

3. Revenue Activity per the "General Ledger Transactions"

Deposit Type	Year-to-Date	September 30	December 31
Cash	\$ 1,257,260.77	\$ 741,550.16	\$ 515,710.61
Credit Card	232,820.52	71,914.50	160,906.02
Accts Receivable	4,913,825.71	2,533,236.52	2,380,589.19
Lemon Street	76,223.84	76,223.84	-
Bank Adj & Other	<u>(5,529.68)</u>	<u>(2,406.71)</u>	<u>(3,122.97)</u>
Total FY 2007/08	\$ <u>6,474,601.16</u>	\$ <u>3,420,518.31</u>	\$ <u>3,054,082.85</u>
Total FY 2006/07	\$ <u>6,752,139.53</u>	\$ <u>3,314,628.94</u>	\$ <u>3,437,510.59</u>

4. Cash Overages (Shortages):

For the Quarter Ended	FY 2007/08	FY 2006/07
September 30	\$ (815.49)	\$ (876.35)
December 31	<u>(842.51)</u>	<u>(117.57)</u>
Year-to-Date	\$ <u>(1,658.00)</u>	\$ <u>(993.92)</u>

Accounts Receivable

We compared the “Accounts Receivable by Name” reports as of December 31, 2007, to the activity in each client’s account for the quarter ended December 31, 2007, from the “Invoice Register-Summary by Customer Account Name” and “Transaction Register”. We summarized the “Accounts Receivable by Name” report as of December 31, 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), Napa State Hospital (16.60) and John Kalamaras (\$228.60) in addition to the following exceptions:

Exception AR 1: During the examination of the “Transaction Register” for the quarter ended December 31, 2007 we noted twenty-eight (28) tickets charged to American Canyon Recycling & Disposal that should have been charged to Vallejo Garbage and two (2) tickets charged to Vallejo Garbage that should have been charged to American Canyon Recycling & Disposal for a total aggregate adjustment of \$6,814.64. 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 1: 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 2: During the examination of the “Invoice Register” for the quarter ended December 31, 2007, we noted that DRTS invoice number 162031 to Hebbuilt General Building for an amount of \$54.48 was not posted to the Central Collections accounts receivable transaction register. The billing information for the invoice was not included with the electronic download of billing information from DRTS to Central Collections. We also noted three other variances between invoiced tickets and the billing information downloaded to Central Collections for a total amount of \$346.08. These variances were account adjustments made by DRTS prior to downloading the billing to Central Collections. They included various adjustments to the American Canyon Recycling account and an adjustment to correct ticket 41502 for an amount of \$39.60 payable by Mark Scott Construction that had been wrongly charged to Mark Edwards Construction. The incorrect charge was reversed twice, once by Central Collections and again by DRTS.

Recommendation AR 2: A meeting was held April 2, 2008 to discuss account adjustments and to align DRTS and Central Collections’ procedures. Central Collections will make a correction to the accounts receivable transaction register to record invoice number 162031. The duplicate adjustment of \$39.60 to credit the account of Mark Edwards Construction and charge Mark Scott Construction should have been reversed. However we have noted in the subsequent quarter that the duplicate charge of \$39.60 to Mark Scott Construction was written down but the Mark Edwards Construction adjustment had not yet been made.

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 ending December 31, 2007.

Exception R 1: We examined the Customer Detail - Customer Activity Reports for the quarter ended December 31, 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 0.38 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 \$899.18 during the quarter ended December 31, 2007.

Recommendation R 1: Resolution 08-01 which incorporates a minimum charge for weighed and flat loads became effective March 22, 2008.

Exception R 2: Resolution 07-01 effective February 1, 2007 includes a \$2 surcharge in addition to regular charges, per non-franchise vehicle that was implemented from November 13, 2007. We have calculated the revenue loss for the quarter ended December 31, 2007 at \$21,902.

Recommendation R 2: We recommend that staff consult with the Board on potential action to recover the lost revenue from the contractor. Resolution 08-01, which became effective March 22, 2008, incorporates the \$2 per vehicle surcharge into the scheduled rate per ton for non-franchise vehicles. A separate vehicle surcharge is no longer charged.

Exception R 3: During the examination of the Load Detail reports for the quarter ended December 31, 2007, we noted 97 tickets with negative quantities, resulting in credits of \$27,136.86. Thirty-four (34) of these tickets were for cash customers for an aggregate amount of \$2,774.46. Sixty-three (63) of these tickets were for invoice customers for an aggregate amount of \$24,362.40. It appeared that negative quantities were entered to void or adjust ticket charges. The reasons for voiding or adjusting the tickets were not recorded in the Load Detail report.

Recommendation R 3: We recommend that staff note reasons for any negative quantity in the “Comments” field. We will also make further inquiries to determine if the use of negative quantities is the most appropriate procedure for adjustments.

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 4: Thirty-three (33) exceptions and a net cash shortage of \$932.69 were noted for the quarter ended December 31, 2007. As of December 31, 2007 there was a year to date net cash shortage of \$1,748.18 before bank adjustments and payments received on “No Pay” customers. Exceptions have been presented in Exhibit C, “Summary Comparison of Cash Report to Deposit Slip”.

Exception R 5: During our comparison of the dollars per the “Cash Receipt Journal – Summary By Date” to the dollars per the deposit information for the quarter ended December 31, 2007 we noted a shortage of \$200 on December 15, 2007 and a shortage of \$100 on December 23, 2007 that had certain similarities. In both cases the money accounted for on the end of day reconciliation agreed to the cash sales report so that no shortage was apparent at the end of day reconciliation, and the amount for deposit on the end of day reconciliation agreed to the amount on the bank deposit slip. The \$200 shortage on December 15, 2007 is not included as a shortage in Exhibit “C” because the bank posted the amount on the deposit slip and adjusted for the

shortage in the next quarter. The shortage of \$100 on December 23, 2007 is off-set by an overage of \$100 on December 29, 2007.

Recommendation R 4 & R 5: Northern Recycle & Waste Services, LLC should go over their reconciliation procedures to ensure that the current procedures are effective at minimizing discrepancies such as those listed in Exhibit C and the exceptions described above.

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

Exception R 6: Three (3) exceptions were noted out of the ninety (90) summary charge slips for the quarter ended December 31, 2007. The total credit card charges posted to the General Ledger were \$127.96 less than Northern Recycle & Waste Services, LLC records for the quarter ended December 31, 2007. Exceptions have been presented in Exhibit D-1, “Northern Recycle & Waste Services, LLC Cash Report vs. Summary Charge Slip Comparison”. On November 1, 2007 the variance of \$118.80 was total credit card receipts accepted for the day by one user plus \$1.16 of other unknown variances.

Recommendation R 6: 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 in Exhibit B to the amounts posted in the “General Ledger Transactions” report.

Exception R 7: There were five (5) bank adjustments during the quarter ended December 31, 2007. Two bank adjustments were processed through the General Ledger for a net aggregate amount of \$90.18. Three adjustments to deposits were included by the bank before posting to the General Ledger for an aggregate amount of \$140.

Recommendation R 7: Scale house staff should continue to compute the deposit slips; however, the staff that prepares the deposits should continue to ensure that deposits are verified and initialed by another employee at the DRTS while in their presence.

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, 2007.

Exception R 8: The standard time between receipt of deposit tickets and posting is 2 days for cash/checks deposits and 3 days for Visa/MasterCard. Based on the “General Ledger Detail Transactions” report, and supporting documents within Napa County offices, it was determined that there was one (1) instance with a value of \$5,090.76 during the quarter ended December 31, 2007 where the deposit information was not posted by the Treasury staff to the GL timely.

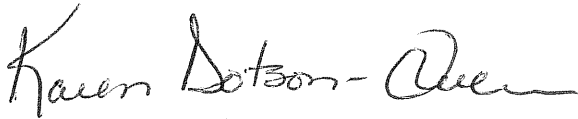
Exception R 9: The standard time between the date of the transaction and faxing the deposit information is 1-2 days. Based on the “General Ledger Transactions” report, supporting documents within Napa County offices, and Napa County business days, it was determined that there were four (4) instances with a combined value of \$28,223.22 during the quarter ended

December 31, 2007 where deposit information was not faxed by DRTS to NVWMA representatives in the Napa County Treasurer's office.

Recommendation R 8 & R 9: Continued effort should be made by the Treasury staff to ensure that deposits are posted in a timely manner, and continued effort should be made by the DRTS staff to fax all deposit information to the County offices on a timely basis.

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
November 7, 2008