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A Commitment to Service

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 March 31, 2008. 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 January 5, 2009, 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	\$ 94,828.84	\$ 74,826.61	\$ 51,951.71
500B	28.60	28.60	28.60
500C & 501C	6,925.04	7,182.14	6,894.96
Subtotal	101,782.48	82,037.35	58,875.27
Lemon Street Hauls	-	-	-
Total FY 2007/08	\$ 101,782.48	\$ 82,037.35	\$ 58,875.27
Accounts Receivable	\$ 477,883.03	\$ 444,655.86	\$ 66,987.99
Lemon Street Hauls	15,906.24	-	-
Total FY 2006/07	\$ 493,789.27	\$ 444,655.86	\$ 66,987.99

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

Account Type	September 30	December 31	March 31
501	\$ 2,093.93	\$ 4,399.90	\$ 5,391.53
500B	28.60	28.60	28.60
500C & 501C	5,059.72	6,085.08	6,567.04
Total FY 2007/08	\$ <u>7,182.25</u>	\$ <u>10,513.58</u>	\$ <u>11,987.17</u>
Total FY 2006/07	\$ <u>3,332.41</u>	\$ <u>8,717.07</u>	\$ <u>2,766.33</u>

3. Revenue Activity per the "General Ledger Transactions"

Deposit Type	Year-to-Date	September 30	December 31	March 31
Cash	\$ 1,752,560.16	\$ 741,550.16	\$ 515,710.61	\$ 495,299.39
Credit Card	403,990.52	71,914.50	160,906.02	171,170.00
Accts Receivable	7,198,306.03	2,533,236.52	2,380,589.19	2,284,480.32
Lemon Street	76,223.84	76,223.84	-	-
Bank Adj & Other	<u>(9,879.89)</u>	<u>(2,406.71)</u>	<u>(3,122.97)</u>	<u>(4,350.21)</u>
Total FY 2007/08	\$ <u>9,421,200.66</u>	\$ <u>3,420,518.31</u>	\$ <u>3,054,082.85</u>	\$ <u>2,946,599.50</u>
Total FY 2006/07	\$ <u>10,179,910.32</u>	\$ <u>3,314,628.94</u>	\$ <u>3,437,510.59</u>	\$ <u>3,427,770.79</u>

4. Cash Overages (Shortages):

For the Quarter Ended	FY 2007/08	FY 2006/07
September 30	\$ (815.49)	\$ (876.35)
December 31	(842.51)	(117.57)
March 31	<u>(609.31)</u>	<u>201.44</u>
Year-to-Date	\$ <u>(2,267.31)</u>	\$ <u>(792.48)</u>

Accounts Receivable

Procedure: We compared the “Accounts Receivable by Name” reports as of March 31, 2008, to the activity in each client’s account for the quarter ended March 31, 2008, from the “Invoice Register-Summary by Customer Account Name” and “Transaction Register”. We summarized the “Accounts Receivable by Name” report as of March 31, 2008 and adjusted the report for the exceptions noted in prior reports for Norman Wells (\$266.56), Mark Edwards Construction (\$46.00), 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 “Invoice Register” for a previous quarter, we noted a variance of \$39.60 between tickets invoiced by DRTS and the billing information downloaded to Central Collections. The variance represented 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. However, the incorrect charge had been reversed twice, once by Central Collections adjusting the customer account and again by DRTS reducing a subsequent invoice. We noted in the quarter ended March 31, 2008, that the duplicate charge of \$39.60 to Mark Scott Construction was written down January 15, 2008 but the duplicate credit in the Mark Edwards Construction account has not been reversed.

Recommendation AR 1: The amount payable by Mark Edwards Construction for ticket 49836 on the December 2008 invoice was reduced by \$39.60 so that the duplicate credit is no longer available in the account balance. The most realistic course is for Central Collections to request authority to cancel the amount. A meeting was held April 2, 2008 to discuss account adjustments and to align DRTS and Central Collections’ procedures.

Revenues

Procedure: 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 March 31, 2008.

Exception R 1 (Updated Prior Quarter Finding): We examined the Customer Detail - Customer Activity Reports for the quarter ended March 31, 2008. 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 \$814.80 during the quarter ended March 31, 2008. The year-to-date amount customers have been over-charged is \$2,868.34.

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

Exception R.2 (Updated Prior Quarter Finding): During the examination of the Load Detail reports for the quarter ended March 31, 2008, we noted tickets with negative quantities, resulting in credits of \$64,912.63. One hundred and thirty-five (135) of these tickets were for cash customers for an aggregate amount of \$3,110.48. Two hundred and forty three (243) of these

tickets were for accounts receivable customers for an aggregate amount of \$61,802.15. We understand from our inquiries that negative quantities are entered to void or adjust ticket charges as necessary. However, the reasons for voiding or adjusting the tickets were not recorded in the Load Detail report. The year to date amount of negative quantities results in total credits of \$92,049.49 with \$5,884.94 for cash customers and \$86,164.55 for accounts receivable customers.

Recommendation R.2: We recommend that staff note reasons for any negative quantity in the “Comments” field.

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.

Exception R 3 (Updated Prior Quarter Finding): Twenty-four (24) exceptions and a net cash shortage of \$609.31 were noted for the quarter ended March 31, 2008. As of March 31, 2008 there was a year-to-date net cash shortage of \$2,357.49 before bank adjustments and payments received on “No Pay” customers. The year-to-date number of exceptions is ninety-four (94).

Recommendation R 3: 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 described above.

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

Exception R 4 (Updated Prior Quarter Finding): Six (6) exceptions were noted out of the eighty-nine (89) summary charge slips for the quarter ended March 31, 2008. The total credit card charges posted to the General Ledger were \$82.00 more than Northern Recycle & Waste Services, LLC records for the quarter ended March 31, 2008. Exceptions have been presented in Exhibit D-1, “Northern Recycle & Waste Services, LLC Cash Report vs. Summary Charge Slip Comparison”. The total amount of exceptions year-to-date is ten (10) out of two hundred twenty-four (224) for an aggregate total of \$41.50 less in the General Ledger than the Northern records.

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.

Procedure: We listed the bank adjustments posted in the “General Ledger Transactions” report and processed by the bank before posting to the General Ledger.

Exception R 5 (Updated Prior Quarter Finding): There were four (4) bank adjustments during the quarter ended March 31, 2008. Two bank adjustments were processed through the General Ledger for a net aggregate debit of \$267.80. Two adjustments to deposits were included by the bank before posting to the General Ledger for an aggregate credit of \$607.52. The nine (9) year-to-date exceptions results in four (4) bank adjustments processed through the General

Ledger for an aggregate debit of \$357.98 and four (4) adjustments to deposits were included by the bank before posting to the General Ledger for an aggregate credit of \$467.52.

Recommendation R 5: 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.

Procedure: 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 March 31, 2008.

Exception R 6 (Updated Prior Quarter Finding): 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 were three (3) instances with a value of \$16,653.20 during the quarter ended March 31, 2008 where the deposit information was not posted by the Treasury staff to the GL timely. Year-to-date there have been four (4) exceptions for an aggregate amount of \$21,743.96.

Exception R 7 (Updated Prior Quarter Finding): 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 eight (8) instances with a combined value of \$46,942.28 during the quarter ended March 31, 2008 where deposit information was not faxed by DRTS to NVWMA representatives in the Napa County Treasurer’s office. There was one (1) instance with a combined value of \$1,152.58 during the quarter ended March 31, 2008 where deposit information was not faxed timely by DRTS to NVWMA representatives in the Napa County Treasurer’s office. Year-to-date there have been thirteen (13) exceptions for an aggregate amount of \$76,318.08.

Recommendation R 6 & R 7: 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.

Expenses

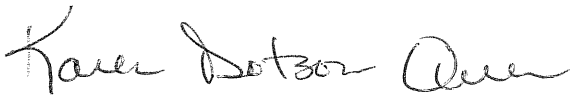
Procedure: We compared the tonnage amounts billed on the Keller Canyon Landfill invoices for DRTS to the customer detail and tonnage reports supplied by Northern Recycle & Waste Services, LLC. Information is presented in Exhibit E.

Exception E 1: In comparing the tonnage amounts billed on the Keller Canyon Landfill invoices for DRTS to the customer detail and tonnage reports supplied by Northern Recycle and Waste Services, LLC we noted variances between the customer detail information and tonnage reports. The tonnage reports supplied by Northern Recycle Waste Services, LLC reported 645 (15.54%) more MSW Flat Loads for the quarter ended March 31, 2008 than is presented in the customer detail information for the same quarter.

Recommendation E1: The staff of Northern Recycle and Waste Services, LLC must research the variance and if necessary submit updated monthly reports for the quarter.

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.

A handwritten signature in black ink that reads "Karen Dotson Querin". The signature is written in a cursive, flowing style.

Karen Dotson-Querin, CPA
Internal Audit Manager
January 5, 2009