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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 June 30, 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 April 28, 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	June 30, 2008
501	\$ 94,828.84	\$ 74,826.61	\$ 51,951.71	\$ 44,907.41
500B	28.60	28.60	28.60	-
500C & 501C	6,925.04	7,182.14	6,894.96	6,947.40
Subtotal	101,782.48	82,037.35	58,875.27	51,854.81
Lemon Street Hauls	-	-	-	-
Total FY 2007/08	\$ 101,782.48	\$ 82,037.35	\$ 58,875.27	\$ 51,854.81
Accounts Receivable	\$ 477,883.03	\$ 444,655.86	\$ 66,987.99	\$ 89,014.90
Lemon Street Hauls	15,906.24	-	-	-
Total FY 2006/07	\$ 493,789.27	\$ 444,655.86	\$ 66,987.99	\$ 89,014.90

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

Account Type	September 30	December 31	March 31	Jun. 30, 2008
501	\$ 2,093.93	\$ 4,399.90	\$ 5,391.53	\$ 5,014.40
500B	28.60	28.60	28.60	-
500C & 501C	5,059.72	6,085.08	6,567.04	6,711.36
Total FY 2007/08	\$ <u>7,182.25</u>	\$ <u>10,513.58</u>	\$ <u>11,987.17</u>	\$ <u>11,725.76</u>
Total FY 2006/07	\$ <u>3,332.41</u>	\$ <u>8,717.07</u>	\$ <u>2,766.33</u>	\$ <u>2,305.49</u>

3. Revenue Activity per the "General Ledger Transactions"

Deposit Type	Year-to-Date	September 30	December 31	March 31	June 30
Cash	\$ 1,752,560.16	\$ 741,550.16	\$ 515,710.61	\$ 495,299.39	\$ 596,795.17
Credit Card	403,990.52	71,914.50	160,906.02	171,170.00	212,535.60
Accts Receivable	7,198,306.03	2,533,236.52	2,380,589.19	2,284,480.32	2,355,188.79
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>	<u>(2,449.10)</u>
Total FY 2007/08	\$ <u>12,583,271.12</u>	\$ <u>3,420,518.31</u>	\$ <u>3,054,082.85</u>	\$ <u>2,946,599.50</u>	\$ <u>3,162,070.46</u>
Total FY 2006/07	\$ <u>13,516,894.71</u>	\$ <u>3,314,628.94</u>	\$ <u>3,437,510.59</u>	\$ <u>3,427,770.79</u>	\$ <u>3,336,984.39</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	(341.51)	201.44
June 30	<u>(860.05)</u>	<u>(195.32)</u>
Year-to-Date	\$ <u>(2,859.56)</u>	\$ <u>(987.80)</u>

Accounts Receivable

Procedure: We compared the “Accounts Receivable by Name” reports as of June 30, 2008, to the activity in each client’s account for the quarter ended June 30, 2008, from the “Invoice Register-Summary by Customer Account Name” and “Transaction Register”. We summarized the “Accounts Receivable by Name” report as of June 30, 2008 and adjusted the report for the exceptions noted in prior reports for Mark Edwards Construction (\$39.60), 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: In the course of reviewing the Accounts Receivable by Name and the Transaction Register for June 30, 2008 for Vallejo Garbage, we noted that a new bill of \$513.52 had been created on June 9, 2008 to offset an overpayment of \$513.52. Vallejo Garbage believed that they had been under-billed for their activity during April 2008, included an additional \$513.52 with their payment of May 27, 2008, and requested an adjustment to their account. An analysis of the tickets showed that the \$513.52 was not owed and was an overpayment.

Recommendation AR.1: We recommend that the Treasurer’s Department credit Vallejo Garbage account \$513.52. We also recommend that any adjustment requested by a customer be verified by an adjustment form authorized by DRTS.

Exception AR.2: We noted when reviewing the accounts receivable for the quarter ended June 30, 2008 that the Transaction Register and the Accounts Receivable By Name reports reflect the balances currently due per customers’ repayment plans, where negotiated repayment plans have been agreed and not the actual accounts receivable balance. Repayment plans facilitate automated invoicing of agreed amounts.

Recommendation AR.2: We recommend that Central Collections note on the Transaction Register the original balance and terms of the payment plan position.

Exception AR.3: During the examination of the Transaction Register for the month ended June 30, 2008 we noted that a voided ticket, number 110560, for an amount of \$406.10 was actually billed to the customer, Art Tech Roofing. The error was corrected July 2008 via a credit to the customer’s invoice.

Recommendation: AR.3: DRTS staff need to gain an understanding of why this voided amount was billed. They should then make whatever changes are necessary to prevent a recurrence of this type of error.

Exception AR.4: In the course of reviewing the Customer Load Detail Reports for the quarter ended June 30, 2008 we noted that the minimum vehicle charge has not been applied to the franchise haulers. Per Resolution 08-01, effective March 22, 2008, “the minimum charge for all customers will be \$30.00 per vehicle”. As a result there has been an immaterial loss of revenue of \$260.40 for the quarter ended June 30, 2008.

Recommendation AR.4 We recommend that the ticketing system be changed to implement the minimum vehicle charge per Resolution 08-01.

Exception AR.5: In the course of reviewing the Customer Load Detail Report for the month ended May 31, 2008 for Valley Recycling and Disposal we noted 23 tickets charged at \$58 per ton. Sixty-two dollars per ton was the correct rate for these loads, which were all less than six tons. We expanded our tests to include Valley Recycling and Disposal tickets for April 2008 –

billed May, and March 2008 – billed April. In total, for the three months, 285 tickets were billed incorrectly at \$58 per ton. As a result there has been a loss of \$1,307 of revenue for the quarter ended June 30, 2008. In addition, we noted that the April and May billings included 284 tickets for the waste category “Dirt” which was charged at \$23 per ton. We are not aware of any authorization for the rate of \$23 per ton.

Recommendation AR.5: We have made recommendations to Authority management and Northern to have the ticketing system automatically enter the rate per ton based on tonnage and authorized rates, and to limit the ability for manual override. Authority management must verify the rate of \$23 for waste category “Dirt”.

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 June 30, 2008.

Exception R.1 (Updated Prior Quarter Finding): During the examination of the Load Detail reports for the quarter ended June 30, 2008, we noted 155 tickets with negative quantities, resulting in credits of \$55,982.47. Forty-four (44) of these tickets were for cash customers for an aggregate amount of \$3,503.64. One hundred and eleven (111) of these tickets were for accounts receivable customers for an aggregate amount of \$52,478.83. 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 \$148,031.96 with \$9,388.58 for cash customers and \$138,643.38 for accounts receivable customers.

Recommendation R.1: 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 2 (Updated Prior Quarter Finding): Thirty-five (35) exceptions and a net cash shortage of \$860.05 were noted for the quarter ended June 30, 2008. As of June 30, 2008 there was a year to date net cash shortage of \$3,214.54 before bank adjustments and payments received on “No Pay” customers. The year to date number of exceptions is one hundred and twenty-nine (129).

Recommendation R 2: A meeting was held February 17, 2009 with representatives of Northern, the Authority and the Treasurer’s Department to discuss controls over cash, reconciliation procedures and reporting of shortages. Implementation of the memo resulting from the meeting is pending as of April 28, 2009.

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

Exception R 3 (Updated Prior Quarter Finding): Three (3) exceptions were noted out of the ninety-one (91) summary charge slips for the quarter ended June 30, 2008. The total credit card charges posted to the General Ledger were \$0.32 less than Northern Recycle & Waste Services, LLC records for the quarter ended June 30, 2008. The total amount of exceptions year-to-date is thirteen (13) out of three hundred fifteen (315) for an aggregate total of \$41.82 less in the General Ledger than the Northern records.

Recommendation R 3: 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 4 (Updated Prior Quarter Finding): There were two (2) bank adjustments during the quarter ended June 30, 2008. These were both adjustments to deposits that were included by the bank before posting to the General Ledger for an aggregate debit of \$451.58. The eleven (11) year-to-date exceptions results in four (4) bank adjustments processed through the General Ledger for an aggregate debit of \$357.98 and six (6) adjustments to deposits were included by the bank before posting to the General Ledger for an aggregate credit of \$16.04.

Recommendation R 4: 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 June 30, 2008.

Exception R 5 (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 no instances during the quarter ended June 30, 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 6 (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 was one (1) instance with a value of \$222.06 during the quarter ended June 30, 2008 where deposit information was not faxed by DRTS to NVWMA representatives in the Napa County Treasurer’s office. There were no additional instances during the quarter ended June 30, 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 \$76,540.14.

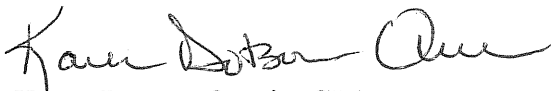
Recommendation R 5 & R 6: Continued effort should be made by the Treasury staff to ensure that deposits are posted in a timely manner, and continued effort should be made by the DRTS staff to fax all deposit information to the County offices on a timely basis.

Expenses

The analysis of the revenues and costs of accepting flat loads at a fixed price is no longer relevant. Effective March 22, 2008 the Authority implemented a fee schedule where all loads are weighed.

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

April 28, 2009