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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 for the quarters ended September 30, 2008 and December 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 August 10, 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
501	\$ 74,531.59	\$ 65,240.04
500B	-	-
500C & 501C	5,697.26	5,628.22
Subtotal	80,228.85	70,868.26
Lemon Street Hauls	-	-
Total FY 2008/09	\$ 80,228.85	\$ 70,868.26
Accounts Receivable	\$ 101,782.48	\$ 82,037.35
Lemon Street Hauls	-	-
Total FY 2007/08	\$ 101,782.48	\$ 82,037.35

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

<u>Account Type</u>	<u>September 30</u>	<u>December 31</u>
501	\$ 5,057.32	\$ 5,360.20
500C & 501C	<u>4,968.04</u>	<u>4,756.52</u>
Total FY 2008/09	\$ <u>10,025.36</u>	\$ <u>10,116.72</u>
Total FY 2007/08	\$ <u>7,182.25</u>	\$ <u>10,513.58</u>

3. Revenue Activity per the "General Ledger Transactions"

<u>Deposit Type</u>	<u>Year-to-Date</u>	<u>September 30</u>	<u>December 31</u>
Cash	\$ 1,058,665.14	\$ 582,925.46	\$ 475,739.68
Credit Card	395,214.03	215,606.13	179,607.90
Accts Receivable	5,060,293.27	2,708,488.67	2,351,804.60
Lemon Street	-	-	-
Bank Adj & Other	<u>3,537.89</u>	<u>(1,736.50)</u>	<u>5,274.39</u>
Total FY 2008/09	\$ <u>6,517,710.33</u>	\$ <u>3,505,283.76</u>	\$ <u>3,012,426.57</u>
Total FY 2007/08	\$ <u>6,474,601.16</u>	\$ <u>3,420,518.31</u>	\$ <u>3,054,082.85</u>

4. Cash (Overages) Shortages:

<u>For the Quarter Ended</u>	<u>FY 2008/09</u>	<u>FY 2007/08</u>
September 30	\$ (184.65)	\$ 815.49
December 31	<u>38.52</u>	<u>842.51</u>
Year-to-Date	\$ <u>(146.13)</u>	\$ <u>1,658.00</u>

Accounts Receivable

Procedure: We compared the “Accounts Receivable by Name” reports as of September 30, 2008 and December 31, 2008, to the activity in each client’s account for the quarters ended September 30, 2008 and December 31, 2008, from the “Invoice Register-Summary by Customer Account Name” and “Transaction Register”. We summarized the “Accounts Receivable by Name” report as of September 30, 2008 and December 31, 2008 and adjusted the reports for the exceptions noted in prior reports for Mark Edwards Construction (\$39.60), Vallejo Unified School District (\$76.42), Napa State Hospital (\$16.60), John Kalamaras (\$228.60) and Vallejo Garbage (\$513.52) in addition to the following exceptions:

Exception AR.1: (Prior Year Finding) We noted when reviewing the accounts receivable for the quarter ended September 30, 2008 and December 31, 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.1: We recommend that Central Collections note on the Transaction Register the original balance and terms of the payment plan position.

Exception AR.2: In the course of reviewing the Accounts Receivable by Name for the quarter ended September 30, 2008, we noted a variance between the invoices for Valley Recycling & Disposal of \$278,545.30 and their tickets for the quarter of \$33,947.66. It was discovered that the variance of \$244,597.64 was for tickets in the waste category of “Dirt” which were added to the September invoices because they were not billed when due for the months of January 2008 through April 2008. An invoice reconciliation was performed and it was determined that Valley Recycling & Disposal still owed a balance of \$45,382.68. The balance owed was billed October 7, 2008 and paid by the customer on October 16, 2008.

Recommendation: AR.2: Prior recommendations were made to Authority Management and Northern Recycling to have the ticketing system automatically enter the rate per ton based on tonnage and authorized rates. In addition, scale house staff needs to ensure that all tickets are entered correctly into the system with minimal errors.

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 September 30, 2008 and the quarter ending December 31, 2008.

Exception R.1: (Prior Year Finding) During the examination of the Load Detail reports for the quarters ended September 30, 2008 and December 31, 2008, we noted 249 tickets with negative quantities, resulting in credits to cash and accounts receivable customer accounts of \$51,335.51:

Quarter Ended	Cash Customers		Accounts Receivable Customers	
	Negative Quantities	Credits	Negative Quantities	Credits
9/30/2008	37	\$ 3,571.62	68	\$ 18,284.26
12/31/2008	30	\$ 1,959.38	114	\$ 27,520.25

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.

In addition we noted that the sequence of ticket numbers in both quarters is not complete. We understand from our inquiries that the missing ticket numbers may be voided tickets. For the quarter ended December 31, 2008, the first ticket number was 159495 and the last ticket number was 187079, a sequence of 27,584 tickets. We noted that 3,614 tickets were missing from the sequence. We also noted instances where blocks of tickets were issued out of sequence.

Recommendation R.1: We recommend that staff note reasons for any voided tickets in the “Comments” field and provide reports that include the complete sequence of ticket numbers used or voided during the quarter. A review of the 3rd and 4th quarter of 2009 will be made to determine if the recommendation has been implemented.

Exception R.2: During the examination of the Customer Load Detail reports for the quarter ended September 30 2008 and December 31, 2008, we noted 2,478 tickets with the same “Time In and Time Out” entries. These tickets did not include special handling charges, auto batteries, franchise haulers and others where the “Time Out” entries may not be the actual time out. These instances occurred on varied days and throughout the day under various scale house operators in both quarters.

Quarter Ended	Cash Customers	Napa Valley Recycling	Other Accounts Receivable Customers
9/30/2008	429	649	178
12/31/2008	266	768	188

The comment section did not provide an explanation for the same time entries. We sought explanations for these observations July 30, 2009.

Recommendation R.2: As of August 10, 2009 no explanation has been provided. We recommend that staff provide explanations for entries where the in and out time stamps are exactly the same and the vehicle is subject to outbound weighing.

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: (Prior Year Finding) Twenty-five (25) exceptions and a net cash overage of \$184.65 were noted for the quarter ended September 30, 2008. Ten (10) exceptions and a net cash shortage of \$38.52 were noted for the quarter ended December 31, 2008.

Recommendation R.3: 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 recommendations will be reviewed during the analysis of the quarter ended June 30, 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.4: Eight (8) exceptions were noted out of the ninety-two (92) summary charge slips for the quarter ended September 30, 2008. The total credit card charges posted to the

General Ledger were \$4,628.02 more than Northern Recycle & Waste Services, LLC records for the quarter ended September 30, 2008. One (1) immaterial exception was noted out of the ninety (90) summary charge slips for the quarter ended December 31, 2008.

Recommendation R.4: Continued effort should be made by scale house staff to verify payment type before closing a ticket.

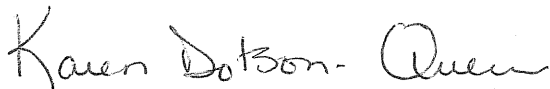
Procedure: We listed the bank adjustments posted in the "General Ledger Transactions" report and processed by the bank before posting to the General Ledger.

Exception R.5: (Prior Year Finding) There were two (2) bank adjustments during the quarter ended September 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 \$20.30. There was one (1) bank adjustment during the quarter ended December 31, 2008 for an amount of \$487.62.

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.

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
August 10, 2009