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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 quarter ended September 30, 2009. 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 December 9, 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
501	\$ 85,946.78
500B	261.32
500C & 501C	4,961.16
Subtotal	91,169.26
Lenon Street Hauls	-
Total FY 2009/10	\$ 91,169.26
Accounts Receivable	\$ 80,228.85
Lenon Street Hauls	-
Total FY 2008/09	\$ 80,228.85

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

<u>Account Type</u>	<u>September 30</u>
501	\$ 10,881.25
501B	248.62
500C & 501C	<u>4,482.54</u>
Total FY 2009/10	\$ <u><u>15,612.41</u></u>
Total FY 2008/09	\$ <u><u>10,025.36</u></u>

3. Revenue Activity per the "General Ledger Transactions"

<u>Deposit Type</u>	<u>Year-to-Date</u>	<u>September 30</u>
Cash	\$ 533,260.60	\$ 533,260.60
Credit Card	221,154.52	221,154.52
Accts Receivable	2,277,656.08	2,277,656.08
Lemon Street	-	-
Bank Adj & Other	<u>1,208.95</u>	<u>1,208.95</u>
Total FY 2009/10	\$ <u><u>3,033,280.15</u></u>	\$ <u><u>3,033,280.15</u></u>
Total FY 2008/09	\$ <u><u>3,505,283.76</u></u>	\$ <u><u>3,505,283.76</u></u>

4. Cash (Overages) Shortages including Bank Adjustments and "No Pay" Activity:

<u>For the Quarter Ended</u>	<u>FY 2008/09</u>	<u>FY 2007/08</u>
30-Sep	\$ <u>395.60</u>	\$ <u>(184.65)</u>
Year-to-Date	\$ <u><u>395.60</u></u>	\$ <u><u>(184.65)</u></u>

Accounts Receivable

Procedure: We compared the “Accounts Receivable by Name” reports as of September 30, 2009, to the activity in each client’s account for the quarter ended September 30, 2009, from the “Invoice Register-Summary by Customer Account Name” and “Transaction Register”.

Exception AR.1: We noted when reviewing the accounts receivable for the month ended September 30, 2009 that City of Napa-Napa Recycling ticket 255166 for an amount of \$306.24 was not invoiced to the customer. The ticket was assigned to an invalid customer account.

Recommendation AR.1: We recommend that DRTS provide a billing adjustment form to Central Collections to add this amount to a subsequent invoice.

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, 2009.

Exception R.1: (Updated Finding) During the examination of the Load Detail reports for the quarter ended September 30, 2009, we noted 880 tickets with negative quantities, resulting in credits to cash and accounts receivable customer accounts of \$311,330.66:

Quarter Ended	Cash Customers		Accounts Receivable Customers	
	Negative Quantities	Credits	Negative Quantities	Credits
9/30/2009	25	\$1,468.52	855	\$309,862.14
Year to date	25	\$1,468.52	855	\$309,862.14
FY 2008/2009	115	\$9,342.84	467	\$137,100.49

This compares to twenty-one cash customers for an aggregate amount of \$1,590.86 and two hundred and twenty-three (223) tickets for accounts receivable customers at an aggregate amount of \$75,484.70 in the quarter ended June 30, 2009. We understand from our inquiries that negative quantities may be input manually to void or adjust ticket charges as necessary, for example where the origin, vehicle, customer or other information is input in error. However, the reasons for the negative amounts were not recorded in the Load Detail report. We also selected fifty-eight (58) of the tickets with negative quantities and reviewed the applicable manual end of day reconciliation forms. Reasons for the negative amounts were noted on the end of day reconciliation forms in eleven instances (19%). In addition to negative quantities recorded to void or adjust ticket charges we understand that, during the quarter ended September 30, 2009, a system implementation issue caused a number of system generated negative quantities.

Recommendation R.1: We recommend that staff note reasons for any negative amounts in the “Comments” field in the system. Notes on the end of day reconciliation form are helpful; however data in the electronic system is more accessible for management review or other review purposes.

Exception R.2: (Updated Finding) In addition, we noted that the sequence of ticket numbers is not complete. We used the Load Detail (inbound tickets), the Outbound Tickets and Voided Tickets reports to compile a schedule of all issued tickets. For the quarter ended September 30, 2009, the first ticket number was 238383 and the last ticket number was 266348, a sequence of 27,966 tickets. We noted 189 ticket numbers that were missing from the sequence.

Recommendation R.2: We requested an explanation for the gaps in the sequence of tickets during the quarter ended September 30, 2009 on November 6, 2009. As of the issuance of the report, a potential explanation for some gaps in the sequence has been provided. Gaps in the tickets numbers within a month will appear when corrections for billing purposes are made after the month end by posting replacement tickets. The system posts the replacement tickets with the date of the original ticket but uses the next available ticket number at the time the correction is made, creating an appearance of gaps in the sequence. In addition, on November 3, 2009, a discussion occurred of the desire to have a report that includes all tickets. A draft report was provided December 9, 2009 and will be tested to confirm completeness and accuracy.

Exception R.3: (Updated Finding) During the examination of the Customer Load Detail reports for the quarter ended September 30, 2009, we noted 96 tickets with the same “Time In and Time Out” entries. Tickets have the same “Time In and Time Out” when staff have input the tickets manually. We have excluded tickets for non-weighed items (e.g. auto batteries, tires, etc.), tickets for vehicles with tare weights coded into the system and tickets where the comment indicated that the ticket was entered manually to correct a previous ticket. Valley Recycling is highlighted because of their affiliation with the contractor and information for the quarter ended June 30, 2009 is included to provide a comparison.

Quarter Ended	<u>Cash Customers</u>	<u>Valley Recycling</u>	<u>Other A/R Customers</u>
9/30/2009	<u>43</u>	<u>8</u>	<u>45</u>
Year to date	<u>43</u>	<u>8</u>	<u>45</u>
6/30/2009	<u>121</u>	<u>302</u>	<u>44</u>

Manual tickets may be required if the system is down, however we are unable to determine system down-time, or alternate explanations, from the reports provided. We understand from staff that Valley Recycling tickets are input manually because their trucks normally arrive prior to 5:00 a.m. and before the scale house attendants arrival. Valley Recycling subsequently provide weights on their dumps for the attendants to input and create tickets. This practice is not consistent with Article 6.04 of the contract which requires all weighing to be conducted by the Contractor or its agents and by a licensed weigh master.

Recommendation R.3: A meeting was held November 3, 2009 with representatives of Northern Recycle & Waste Services, LLC to discuss tickets with the same “Time In and Time Out”. It was recommended that data capture procedures include reasons for the input of manual tickets where the reason is not apparent from the type of material or vehicle tare weight as described above. This information will provide assurance that manual input of weights and calculation of charges is restricted to appropriate and essential circumstances. DRTS staff implemented a control log

after the quarter ending September 30, 2009 which will document system outages or any unusual circumstances that have occurred and created a need for manual input of tickets.

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 for the quarter ending September 30, 2009.

Exception R.4: (Updated Finding) Seventeen (17) exceptions resulting in a net cash shortage of \$395.60 inclusive of bank adjustments were noted for the quarter ended September 30, 2009. We noted five (5) instances where cash variances were not detected by the end of day cash reconciliation completed by DRTS staff.

Recommendation R.4: A meeting was held November 3, 2009 with representatives of Northern Recycle & Waste Services, LLC to discuss controls over cash, reconciliation procedures and reporting of shortages.

Exception R.5: In one instance on August 24, 2009, we noted a shortage of \$502.40. A subsequent bank adjustment credit of \$98.52 on September 29, 2009 reduced the shortage to \$403.84. Based on our review of the days work and the deposit details for that day the most likely explanation appears to be that a cash customer’s check which was held open to record multiple loads dumped during the day did not include all loads chargeable to the customer. We requested DRTS to confirm this analysis on November 16, 2009. As of the issuance of this report no response has been provided.

Recommendation R.5: We recommend that DRTS review their procedures for “open checks” to ensure the completeness of charges.

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

Exception R.6: (Updated Finding) There was one (1) bank adjustments during the quarter ended September 30, 2009 for a credit amount of \$98.52.

Recommendation R.6: A meeting was held November 3, 2009 with representatives of Northern Recycle to discuss controls over cash procedures. 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 September 30, 2009.

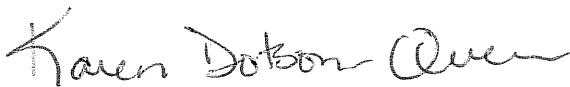
Exception R.7: Based on the “General Ledger Transactions” report, and supporting documents within Napa County offices we determined that there were five (5) instances for the aggregate amount of \$28,205.96 during the quarter ended September 30, 2009 where the deposit information was not faxed timely, and three (3) instances for the aggregate amount of \$17,989.40

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

Recommendation R.7: A meeting was held November 3, 2009 with representatives of Northern Recycle & Waste Services, LLC to discuss controls over cash procedures. 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
December 9, 2009