

Northern Recycling Operations & Waste Services, LLC  
Devlin Road Recycling & Transfer Facility



Type II SAS 70 Report

Report on Controls Placed in Operation and Tests of Operating Effectiveness

For the Period July 1, 2009 through March 31, 2010

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## Section I - Report of Independent Auditors

To Management of Northern Recycling Operations & Waste Services, LLC

We have examined the accompanying description of controls related to the Devlin Road Recycling & Transfer Facility provided by Northern Recycling Operations & Waste Services, LLC. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of Northern Recycling Operations & Waste Services, LLC's controls that may be relevant to a user organization's internal control as it relates to an audit of financial statements, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and user organizations applied the controls contemplated in the design of Northern Recycling Operations & Waste Services, LLC's controls, and (3) such controls had been placed in operation as of March 31, 2010. The control objectives were specified by the management of Northern Recycling Operations & Waste Services, LLC. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included the procedures we considered necessary, in the circumstances, to obtain a reasonable basis for rendering our opinion.

As discussed in the accompanying description, to achieve the control objective that all in-bound and out-bound waste transactions are adequately documented, Northern Recycling Operations & Waste Services, LLC uses sequentially numbered tickets, which are manually and systematically generated. In addition, any voided tickets are identified on the daily cash reconciliation worksheet. The control procedures do not include a daily accounting for all tickets to identify and follow-up on missing tickets. As a result the control objective "Controls provide reasonable assurance that Scale House Operations accurately documents all in-bound and out-bound waste transactions" was not achieved.

There was no control activity to achieve the control objective "Controls provide reasonable assurance that monthly reports are complete, accurate, timely, and in compliance with contract requirements". This design failure resulted in the non-achievement of the control objective.

The accounting system relies on standing data to calculate the value of transactions and authorize credit. As described in the accompanying description, this standing data includes; transaction prices, tare weights, new credit accounts and customer account status. The control procedures do not include timely updating for changes in the standing data and therefore does not achieve the control objective "Controls provide reasonable assurance that data entered into the Soft-Pak system is accurate and updated in a timely manner".

As discussed in the accompanying description, logical access to the server, database, and Soft-Pak application are authorized and entered by the CFO. The control procedures do not include an independent periodic review of who has logical access to the server, database, or Soft-Pak application. In addition, password access to the database was not appropriately restricted or monitored, which could allow un-authorized access to the server, database, and Soft-Pak application. As a result, the control objective “Controls provide reasonable assurance that logical access to the Soft-Pak application and data is restricted to authorized personnel” was not achieved.

In our opinion, the accompanying description of the aforementioned services presents fairly, in all material respects; the relevant aspects of Northern Recycling Operations & Waste Services, LLC’s controls that had been placed in operation as of March 31, 2010. Also, in our opinion, except for the deficiencies referred to in the preceding paragraphs, the controls, as described, are suitably designed to provide reasonable assurance that the related control objectives would be achieved if the described controls were complied with satisfactorily and the user organizations that applied the controls contemplated in the design of the Northern Recycling Operations & Waste Services, LLC’s controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific controls, listed in Section III of this report, to obtain evidence about their effectiveness in meeting the control objectives, described in Section III, during the period from July 1, 2009 to March 31, 2010. The specific controls and the nature, timing, extent and results of the tests are listed in Section III. This information has been provided to the user organizations of Northern Recycling Operations & Waste Services, LLC and to their auditors, to be taken into consideration, along with information about the internal control at user organizations when assessing control risks for user organizations.

Northern Recycling Operations & Waste Services, LLC states in its description of controls that changes to the Soft-Pak application are reviewed to ensure the completeness and accuracy of the changes made by Soft-Pak technicians. As noted in section III, documentation that an effective review was performed for all changes tested was insufficient. This resulted in the non-achievement of the control objective “Controls provide reasonable assurance that modifications to Soft-Pak, as performed by a qualified Soft-Pak representative, are performed completely and accurately”.

As discussed in the accompanying description of controls, a vulnerability assessment is performed on a quarterly basis. As stated in Section III, no periodic reviews were performed during the period under audit. This resulted in the non-achievement of the control objective “Controls provide reasonable assurance that perimeter network security devices are functioning as intended and that external access to the network and data is properly restricted”.

Northern Recycling Operations & Waste Services, LLC states in its description of controls that on an annual basis, a restoration of the Soft-Pak application is performed to test the effectiveness of recovery procedures. As noted in Section III, no annual restoration was performed during the period under audit or the 3 months preceding. This resulted in the non-achievement of the control objective “Controls provide reasonable assurance that Soft-Pak Data is backed up, securely stored at an offsite location, and can be restored in a timely manner”.

In our opinion, except for the matters described in the preceding paragraphs, the controls that were tested, as described in Section III, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives, specified in Section III, were achieved during the period from July 1, 2009 to March 31, 2010.

The relative effectiveness and significance of specific controls at the Devlin Road Recycling & Transfer Facility and their effect on assessments of control risk at user organizations are dependent on their interaction with the controls, among other factors, present at individual user organizations. We have performed no procedures to evaluate the effectiveness of controls at individual user organizations.

The description of controls at Northern Recycling Operations & Waste Services, LLC is as of March 31, 2010. Information about tests of the operating effectiveness of specific controls covers the period from July 1, 2009 to March 31, 2010. Any projection of such information to the future is subject to the risk that, due to change, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at Northern Recycling Operations & Waste Services, LLC is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes may alter the validity of such conclusions.

The information in Section IV has been excluded from the tests of operating effectiveness, as described in Section III, as the related activities are not considered controls for which effective operation could be relevantly tested to provide evidence about their effectiveness in meeting the stated control objectives. The activities in Section IV are considered related policies and procedures to the control objectives stated in Section III but were not considered when evaluating Northern Recycling Operations & Waste Services, LLC's achievement of the stated control objectives. Accordingly, we express no opinion on the policies and procedures in Section IV. We performed independent verification procedures, listed in Section IV, to provide additional information on the existence of the policies and procedures and noted our findings as appropriate. It is the responsibility of the user organization to determine the impact of these findings as they relate to a user organization's internal controls.

The information in Section V is presented by Northern Recycling Operations & Waste Services, LLC to provide additional information and is not part of the Devlin Road Recycling & Transfer Facility's description of controls that may be relevant to a user organization's internal control, as it relates to audit of a financial statement. Such information has not been subjected to the procedures applied in the examination of the description of controls applicable to the processing of transactions for user organizations and, accordingly, we express no opinion on it.

This report is intended solely for use by the management of Northern Recycling Operations & Waste Services, LLC, the Napa-Vallejo Waste Management Authority, its' customers, and the independent auditors of its' customers.

*Burr Pilger Mayer, cnc.*

San Jose, California

June 30, 2010

## **Section II – Northern Recycling Operations & Waste Services, LLC Description of Controls**

### **COMPANY OVERVIEW**

Northern Recycling Operations & Waste Services, LLC doing business as Devlin Road Recycling & Transfer Facility, is the contractor to the Napa-Vallejo Waste Management Authority, who owns a transfer station located in Napa County. The contractor provides processing and transfers of municipal solid waste to a regional landfill, recycling of construction & demolition debris, and marketing of recycling materials to outside vendors. In addition, the contractor operates the Scale House and Buy-Back & Reuse Center. The contractor has been operating the transfer station since July 1, 2007 and has a long term contract with the Authority until December 31, 2022.

### **CONTROL ENVIRONMENT**

The control environment at Northern Recycling Operations & Waste Services, LLC ( the “Company”) begins at the highest level of the Company. Executive and senior management play important roles in the Company’s tone from the top and their direct leadership is an integral part of the integrity and ethics of the organization.

The Company has formalized hiring practices to determine if individuals are qualified to perform their individual job functions. At a minimum, these practices include verification of work experience, drug screens, and background checks. Upon acceptance of employment, employees are required to read the Company’s employee handbook and sign an acknowledgement that they have received the handbook and will abide by the Company’s rules. Each employee has a written job description and receives formal training from experienced co-workers. Job functions and employee performance are reviewed annually.

The Company’s management team and ownership group meets monthly to discuss the organization’s results of operations, operational effectiveness, and other pertinent issues. In addition, our outside auditors meet with our ownership group annually to discuss any internal control issues discovered during the annual audit process.

The organizational structure includes a Site Manager, Office Manager, Scale House Operators, and Equipment Operators with oversight, provided by the Operations Manager and Chief Financial Officer. Internal audits are performed quarterly by the Napa County Auditor-Controller office.

The Company utilizes outside vendors to perform maintenance on computer systems and advice on security and data access issues. The Company also utilizes an outside vendor to perform data back up and restoration services. The Company’s software vendor performs annual updates and periodical maintenance.

## **RISK ASSESSMENT**

The Company periodically reviews and assesses significant risks and implements policies and procedures to address those risks. Evaluation of risks associated with our scale house transaction data are performed semi-annually by an outside vendor. This vendor assesses our back up functions along with applying updates to our server's operating system. Periodic threat assessments were recently implemented and will be performed on a quarterly basis by our outside IT vendor.

## **INFORMATION AND COMMUNICATION**

The management information system used by the Company is provided by Soft-Pak. Soft-Pak developed an industry standard scale management information system. Our data center is located in Napa California and houses an IBM mid-range system commonly referred to as an AS400 along with windows based servers that provide access to our information management system. The system is connected to a remote monitoring service that notifies our IT vendor of any IP address communication issues.

Management is involved in the day-to-day operations and provides personnel with an understanding of their individual roles and responsibilities pertaining to internal controls. This includes an understanding of how their activities relate to the work of others and the means of reporting exceptions to an appropriate higher level of management. Management is open and available to receive any reporting exceptions and is able to act on them immediately.

## **MONITORING**

The Company utilizes various systems to monitor intrusion, system availability, and security for their server based information system. Executive management receives monthly reports on server performance, availability, threats removed, windows patched installed, disk space available, and network health. In addition, our server provides email alerts regarding performance issues.

## **CONTROL ACTIVITIES**

The Company relies on outside vendors to provide and develop IT policies and procedures which are reviewed and approved by executive management.

Our Napa data center is only accessible to three employees through a swipe badge system provided by the buildings' owners, the City of Napa. All visitors who require access to the data center are required to check in with the site office manager or Chief Financial Officer in order to be granted access.

The servers in the data center are attached to uninterruptible power supplies that provide up to one hour of power. The scale house computers are attached to a similar UPS system. The data center is cooled by one air conditioning unit and provides adequate cooling and humidity control. A fire extinguisher is located in the data center.



All users are set up and established by the Chief Financial Officer. User account function is determined by their function and need to access data. Users are deleted from the windows and AS400 based system immediately after termination. Passwords for the windows based server are subject to the following parameters: must be seven characters long, must contain lowercase letters, uppercase letters, numerals and characters; will be changed every six months; cannot contain company name, user name, relatives names, pet's names or nicknames, and must not be shared with other users.

Only required ports are open and all others are denied. Access to change firewall configuration is limited to the Chief Financial Officer and a designated employee of our IT vendor. Anti-virus protection is installed on our windows based server and is updated on a daily basis. Our IT vendor performs security assessment on an annual basis.

An outside vendor on a regular basis applies our operating systems software updates, software upgrades, patches and security fixes. Major software upgrades are reviewed and approved by the Chief Financial Officer before implementation is started.

Incidents are reported to the Chief Financial Officer via e-mail or telephone calls. These incidents are then dispatched to the appropriate vendor for resolution. Vendors provide resolution reports to Chief Financial Officer when incident resolution is completed.

The Company utilizes two back-up systems for their information systems. Each work day, Soft-Pak is backed up to a tape during the day end process. Two weeks of data back-up is available for the Soft-Pak system. The windows based server is backed up daily with a NAS (Network Attached Storage) device. The AS400 is backed up daily and monthly through an internet data vault located in Emeryville. Modifications of the back-up schedule and policies are restricted to the Chief Financial Officer. On site tape back-ups are stored in the office manager's safe upon completion.

## **RELATED USER CONTROL CONSIDERATIONS**

The services performed by Northern Recycling Operations & Waste Services, LLC for its' customers and the controls at the Devlin Road Recycling & Transfer Facility cover only a portion of the overall internal controls of the Transfer Facility. It is not feasible for the control objectives relating to these services performed to be solely achieved by Northern Recycling Operations & Waste Services, LLC. Therefore, each customer's internal control environment must be evaluated in conjunction with the controls of Northern Recycling Operations & Waste Services, LLC and testing summarized in Section III of this report.

This section highlights those internal control responsibilities Northern Recycling Operations & Waste Services, LLC believes should be present with each customer that has considered in developing their own internal controls. Each customer must evaluate their own internal control environment to determine if the following controls are in place. Furthermore, the following list of controls is intended to address only those controls surrounding the Devlin Road Recycling & Transfer Facility services. Accordingly, this list does not purport to be and is not a complete listing of the controls that provide a basis for the assertions underlying the financial statements of customers.

- Customers are responsible for the timely notification of rate changes.
- Customers are responsible for the timely distribution of Invoices to the clients of the Devlin Road Recycling & Transfer Facility.
- Customers are responsible for the complete and accurate collection of receivables.
- Customers are responsible for the timely notification of client names where checks did not clear.
- Customers are responsible for the timely notification of newly created, updated, or termination of client accounts.
- Customers are responsible for the reconciliation of daily cash receipts to the cash balance at the bank.
- Customers are responsible for the timely notification of missing or lost fax transmissions of the daily cash deposits.
- Customers are responsible for the review of the monthly reports provided by the Devlin Road Recycling & Transfer Facility and to communicate any issues in a timely manner.
- Customers are responsible for the provisioning and review of physical access to the data center.
- Customers are responsible for notification to the CFO and/or General Manager of any issues coming to their attention relating to the Devlin Road Recycling & Transfer Facility.

## Section III - Control Objectives, Related Controls and Tests of Operating Effectiveness

### SCALE HOUSE OPERATIONS

Control Objective: Controls provide reasonable assurance that Scale House Operations accurately documents all in-bound and out-bound waste transactions.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
SH1.03	Physical access to the Scale House is restricted through mechanical key. Access to Scale House key is limited to appropriate individuals.	Observed that a mechanical key is required to access the Scale House and performed collaborative inquiry to determine that access keys to the Scale House are limited to appropriate employees.	No exceptions noted.
SH1.04	Physical roadblocks and visual observation by the Weigh Masters' control the direction and pace of traffic in and out of the transfer station	Observed physical roadblocks allowing the Weigh Masters to visually monitor road activities in and out of the Transfer Station.	No exceptions noted.
SH1.05	Weigh Masters are segregated from performing both the in-bound weighing and out-bound weighing of a single transaction.	Observed Weigh Master Scale House duties to determine that Weigh Masters are appropriately segregated.	Exception Noted. Weigh Masters are not appropriately segregated during the hours of 5:00 am to 8:00 am as only one weigh master is scheduled.
SH1.09	After transaction ticket has been finalized, the ticket cannot be modified.	Observed Weight Master screen to determine that once a ticket has been finalized that no modifications to the ticket can occur.	No exceptions noted.

**SCALE HOUSE OPERATIONS**

Control Objective: Controls provide reasonable assurance that Scale House Operations accurately documents all in-bound and out-bound waste transactions.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
SH1.13	System generated tickets and manual tickets are sequentially numbered to ensure the completeness of ticket transactions.	Observed that system generated ticket transactions and manual tickets are sequentially numbered.	Exception noted. For manual tickets selected, 23 tickets were missing from the total sequence of 58 used on that day.  Management has not implemented a process to account for all tickets and follow-up on missing tickets to ensure the completeness of manual or system generated tickets.

**CASH COLLECTIONS REPORTING**

Control Objective: Controls provide reasonable assurance that cash and credit transactions captured by Soft-Pak are accurate and communicated in a timely manner.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
CC1.0	Cash collected is securely stored in cash only safe at the transfer station until collected.	Observed that cash collected is securely stored until collection.	No exceptions noted.
CC1.2	On a daily basis, each Weigh Master performs cash reconciliation between cash on hand and the Cash Sales Report.	For a sample of days, inspected daily reconciliations to determine that reconciliations were performed completely, accurately, and in a timely manner.	No exceptions noted.
CC1.3	For each cash reconciliation, a unique deposit slip is created matching the cash collected by each Weigh Master.	For a sample of days, inspected cash deposit slips to determine that cash deposit matched cash collected as noted by the Weigh Master in their daily reconciliation.	No exceptions noted.
CC1.4	The Weigh Master signs the completed cash reconciliation worksheet and cash deposit slips.	For a sample of days, inspected cash reconciliations to determine that cash reconciliation worksheet and cash deposit slips were signed by the appropriate Weigh Master.	No exceptions noted.
CC1.5	For each cash reconciliation a unique tracking number is given to the cash bag to track it from initial pickup to the bank by armored truck.	For a sample of days, inspected daily cash reconciliations to determine that reconciliation was properly labeled with a unique tracking number.	No exceptions noted.
CC1.6	The credit card transaction summary is reconciled to the Daily Cash Reconciliation Form by the office manager to ensure the accuracy of credit card transactions.	For a sample of days, inspected cash reconciliations to determine that credit card transaction summaries were reviewed for accuracy.	No exceptions noted.
CC1.7	All Bank deposit slips, credit card transaction summaries, and cash reconciliations forms are reconciled by the Office Manager on a daily basis. Any discrepancies are investigated and resolved in a timely manner.	For a sample of days, inspected cash reconciliations to determine that cash reconciliations were reviewed on a daily basis by the Office Manager.	No exceptions noted.

**MONTHLY REPORTING**

Control Objective: Controls provide reasonable assurance that monthly reports are complete, accurate, and communicated in a timely manner.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
MR1.1	On a monthly basis, printed invoices are sent to the county for distribution. The Office Manager reviews the accuracy of the invoices prior to sending them via e-mail.	For a sample of months, inspected the date sent (via Fax) or uploaded (via web) by the Office Manager to determine that review and distribution of customer invoices occurred in a timely manner.	No exceptions noted.
MR1.4	The General Manager reviews the materials diversion report on a monthly basis to ensure that the facility is meeting its diversion requirements as defined by the Authority.	Inspected the monthly meeting agenda between the Authority and Devlin Road Transfer Station to determine that review of the station diversion rate occurs between the General Manager and Authority on a monthly basis.	No exceptions noted.

*Section III: Control Objectives, Related Controls and Tests of Operating Effectiveness Continued*

**MAINTAIN DATA**

Control Objective: Controls provide reasonable assurance that data entered into the Soft-Pak system is accurate and updated in a timely manner.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
MD1.0	Rates used to calculate the final transaction price are updated on a periodic basis. Modifications to prices occur in a timely manner as defined by the Authority.	Inspected transaction data to determine that all rate changes during the period were processed completely and accurately as approved by the Napa-Vallejo Waste Management Authority.	No exceptions noted.

**LOGICAL ACCESS**

Control Objective: Controls provide reasonable assurance that logical access to the Soft-Pak application and data is restricted to authorized personnel.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
LA1.0	Network and application password policies (Password Rotation, Length, Lockout) are enforced to support effective authentication of authorized users.	<p>Inspected the default domain password policies to determine that password policies meet industry standards.</p> <p>Inspected the password policies to the Soft-Pak Application to determine that password policies meet industry standards.</p>	<p>Exception Noted.</p> <p>Windows user passwords policies to the network are not properly configured to standards of Min characters (7), rotation (90 days), complexity, and account lock-out (5).</p> <p>Soft-Pak user passwords are not properly configured to standards for password complexity and account lock-out (5).</p>



**LOGICAL ACCESS**

Control Objective: Controls provide reasonable assurance that logical access to the Soft-Pak application and data is restricted to authorized personnel.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
LA1.1	User accounts are created and/or deleted by the Chief Financial Officer in a timely manner.	<p>Inspected network accounts to determine that network accounts created during the audit period were appropriately created by the CFO.</p> <p>Inspected network accounts to determine that all terminated employee access to the network was removed in a timely manner.</p>	<p>Exception Noted. No Documentation is retained by Management to support the timely termination of network and Soft-Pak Accounts.</p> <p>Management does not have a process to review user access to the network or Soft-Pak application on a periodic basis.</p>
LA1.2	Logical access to the Server, Database, and Soft-Pak application are appropriately restricted to authorized individuals.	<p>Inspected Soft-Pak user accounts to determine that non-service accounts for Soft-Pak access belong to current Devlin Road Transfer Station employees.</p> <p>Inspected the user list for administrative access to determine that access to the AS400 is properly restricted.</p>	<p>Exception Noted. Management does not have a process to prevent or detect the modification of Transfer Station transaction data.</p>
LA1.3	User's accounts are authenticated to the network and Soft-Pak application using unique Identification names and passwords.	Inspected user log-on identifications to determine that unique identification names are required to access the network and Soft-Pak application.	No exceptions noted.

Section III: Control Objectives, Related Controls and Tests of Operating Effectiveness Continued

**LOGICAL ACCESS**

Control Objective: Controls provide reasonable assurance that logical access to the Soft-Pak application and data is restricted to authorized personnel.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
LA1.4	Administration of the Soft-Pak application and database is performed by an employee independent of the scale house operations.	Inspected Soft-Pak administrator list to determine that the Soft-Pak application and database administrator's job responsibilities were independent of any employee in Scale House Operations.	No exceptions noted.
LA1.5	Logical access to financial spreadsheets and supporting accounting documents are appropriately segregated on the network.	Inspected the logical access rights for shared folders to determine that logical access to Devlin Road Transfer Station monthly spreadsheets and official memos are appropriately restricted.	<p>Exception Noted.</p> <p>Access to the Shared folder for the Devlin Road Facility is not appropriately segregated as all users on the network have full access.</p> <p>Management does not have a process to ensure the calculations used from existing spreadsheets have not been modified.</p>

**CHANGE MANAGEMENT**

Control Objective: Controls provide reasonable assurance that modifications to Soft-Pak, as performed by a qualified Soft-Pak representative, are performed completely and accurately.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
CM1.0	Changes occurring to the Soft-Pak system are reviewed for completeness and accuracy after the program change is completed by a qualified Soft-Pak technician.	Inspected the change Management procedures performed by Management to determine that updates to Soft-Pak occurred completely and accurately.	Exception Noted. No testing documentation was retained to verify the effectiveness of the procedures performed by Management, which ensured the complete and accurate upgrade of the Soft-Pak application.

**PHYSICAL ACCESS**

Control Objective: Controls provide reasonable assurance that changes in physical access to the data center are communicated to the county in a timely manner.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
PA 1.0	Requesting of physical access or termination of access to the Data Center is sent to the City of Napa in a timely manner.	There were no changes in personnel during the period under audit that required an addition or termination of physical access to the data center.	Unable to determine effectiveness.

**PERIMETER CONTROLS**

Control Objective: Controls provide reasonable assurance that perimeter network security devices are functioning as intended and that external access to the network and data is properly restricted.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
PR1.0	Quarterly, a vulnerability assessment is performed and discussed with Management for appropriate remediation.	Inspected quarterly vulnerability assessment performed by the service provider to determine that assessment was performed and that any recommendations were applied as appropriate.	Exception Noted. No network vulnerability assessment was performed during the Period under audit.

**BACKUP RESTORATION**

Control Objective: Controls provide reasonable assurance that Soft-Pak Data is backed up, securely stored at an offsite location, and can be restored in a timely manner.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
BU1.0	The service provider sends e-mail notifications of offsite backup status (successes and failures) to the Chief Financial Officer on a daily basis.	<p>Inspected the accuracy of the backup configuration to determine that configuration was properly set for daily backups.</p> <p>For a sample of days, inspected back up notifications for successful or failed backups to determine that if a backup failed, the failure was remediated in a timely manner.</p>	No exceptions noted.
BU1.1	Annually, a restoration of the Soft-Pak accounting application is performed to test the effectiveness of recovery procedures.	Inspected the annual restoration of the Soft-Pak system to determine that restoration was successfully performed during the year.	Exception Noted. A restoration of Soft-Pak data was not performed during the year to support management's ability to effectively restore data.

**PROBLEM MANAGEMENT**

Control Objective: Controls provide reasonable assurance that processing problems are identified, escalated, and resolved in a timely manner.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
PM1.0	On a monthly basis, Management notifies the Authority of complaints and significant technical issues during the month. Resolutions and/or follow-ups are included as appropriate.	For a sample of months, inspected the monthly authority report to determine that complaints are sent to the Authority and any issues are resolved in a timely manner.	No exceptions noted.
PM1.1	Issues related to service providers and facility operations are communicated directly to the General Manager and CFO as appropriate. Both the General Manager and the CFO collaborate and ensure issues are resolved timely. Service providers document, track, and report on their related issues.	Inspected monthly reports from FacilitaIT and e-mail communications to determine that issues are tracked and resolved by the service provider.	No exceptions noted.

**THIRD PARTY RELATIONSHIPS**

Control Objective: Controls provide reasonable assurance that third party contracts are appropriate.

#	Related Controls Specified by NROWS	Tests of Operating Effectiveness Performed by BPM	Results of Testing
TP1.0	The Chief Financial Officer is responsible for managing the third-party relationships and reviews and approves contracts as appropriate.	Inspected third party contract agreements to determine that the CFO has reviewed and signed the contract as appropriate.	No exceptions noted.



## **Section IV - Related Policies and Procedures and Independent Verification of Procedures Performed**

The activities noted here have been excluded from the tests of operating effectiveness, as described in Section III, as the activities are not considered controls for which effective operation could be relevantly tested to provide evidence about their effectiveness in meeting the stated control objectives. These activities are considered policies and procedures related to the control objectives stated in Section III but were not considered when evaluating Northern Recycling Operations & Waste Services, LLC's achievement of the stated control objectives. We performed the independent verification procedures, which are documented here, to provide additional information on the existence of the policies, and procedures and noted our findings as appropriate. It is the responsibility of the user organization to determine the impact of these findings as they relate to a user organization's internal controls.

## POLICIES AND PROCEDURES RELATED TO THE STATED CONTROL OBJECTIVES

#	Related Policies and/or Procedures Specified by NROWS	Verification of Policies and/or Procedures Performed by BPM	Results of Verification
Policies and Procedures Related to Scale House Operations.			
SH1.00	Only trained Weigh Masters perform daily Scale House Operations.	Observed physical and logical access restrictions to determine that only Weigh Masters perform Scale House Operations.	Verified.
SH1.01	Weigh Masters receive appropriate training prior to performing any Scale House transactions.	Inquired with Weigh Masters to determine that all Weigh Masters received appropriate training prior to performing any Scale House transactions.	Verified.
SH1.02	The Transfer Facility performs weighing operations only during normal business hours extending through completion of the last load.	Observed Scale House operations to determine that transactions were performed only during normal business hours and extending through the completion of the last load.	Verified.
SH1.06	All in-bound vehicles are weighed upon initial arrival and a Weigh Master will enter all relevant information (name, origin, type, weight) provided by the driver.	Observed Weigh Master at in-bound station to determine that information is captured upon arrival of a new vehicle.	Verified.
SH1.07	Vehicles with Tare Weights (stored empty weight), are single weigh transactions and the ticket transaction is completed upon initial weighing.	Observed that vehicles with Tare Weights were weighed once to complete ticket transaction.	Verified.
SH1.08	Vehicles without Tare Weights are weighed twice to capture the weight of the material deposited. These weights are captured by scale readings and automatically entered into the ticket to ensure accurate pricing.	Inspected scale readings to determine that vehicle weights are automatically entered into the system.	Verified.

**POLICIES AND PROCEDURES RELATED TO THE STATED CONTROL OBJECTIVES**

#	Related Policies and/or Procedures Specified by NROWS	Verification of Policies and/or Procedures Performed by BPM	Results of Verification
SH1.10	A three part transaction ticket is printed for each transaction. A copy is provided to the customer, the county, and a copy resides at the facility for a period of 7 years.	Observed three part transaction ticket for the customer, county, and a copy for storage at the main office.  Inspected copies of previous tickets to determine that tickets for previous periods are appropriately kept at the facility.	Verified.
SH1.11	Ticket errors are resolved through voiding and reissuing an updated ticket. The Weight Master enters an explanation for the voided transaction on the original ticket as well as on the daily cash reconciliation worksheet.	For a sample of voided tickets, inspected that a voided ticket included a reissued updated ticket and explanation for the change on the daily cash reconciliation worksheet	Exception noted. For 3 of 14 daily reconciliations sampled, additional details and subsequent related ticket number was not properly documented.
SH1.12	When access to the ticketing system is unavailable, sequentially numbered manual tickets are created. All manual tickets are entered into the system when it becomes available again.	Inspected hard copy system tickets created from manual tickets used to determine that manual tickets are appropriately entered into the system when access becomes available.	Verified.
SH1.14	If scale readings are unavailable, standard pricing established by management is communicated to Weigh Masters in a timely manner.	Inspected standard pricing worksheets to determine that pricing is communicated to Weigh Masters in a timely manner.	Verified.

**POLICIES AND PROCEDURES RELATED TO THE STATED CONTROL OBJECTIVES**

#	Related Policies and/or Procedures Specified by NROWS	Verification of Policies and/or Procedures Performed by BPM	Results of Verification
SH1.15	A backup generator is used to supply power to the scale in case of power outage.	Observed a backup generator was available should a power outage occur.	Verified.
Policies and Procedures Related to Cash Collection Reporting			
CC1.1	The Scale House is notified of cash customers whose checks did not clear. A list is posted in the Scale House and updated periodically to prevent accepting future checks from these individuals.	Inspected check list to determine that list was available to Weigh Masters for reference and up to date.	Verified.
CC1.8	On a daily basis, the Office Manager will fax the previous days cash deposit information to the county for reference.	Observed Office Manager fax previous day's cash deposit to the County.	Verified.
Policies and Procedures Related to Monthly Reporting			
MR1.0	Data used to create management reports are supported by Soft-Pak reporting tools to ensure consistency between ticketed transactions and reporting.	Inspected a sample of monthly reports and recalculated a selection of reported values to determine that data is consistent from Soft-Pak reporting tools to the monthly reports created by management.	Verified.
MR1.2	As part of their service agreement, a monthly report is sent to the authority outlining tonnage accepted, tonnage recovered, and city of origin.	For a sample of months, inspected the monthly report sent to the Authority to determine that they were in compliance with their service agreement	Verified.
MR1.3	As part of their service agreement, a monthly report is sent to Napa County to demonstrate compliance with the Devlin Road Transfer station solid waste facility Permit.	For a sample of months, inspected the monthly report sent to the County to determine that they were in compliance with their service agreement	Verified.

**POLICIES AND PROCEDURES RELATED TO THE STATED CONTROL OBJECTIVES**

#	Related Policies and/or Procedures Specified by NROWS	Verification of Policies and/or Procedures Performed by BPM	Results of Verification
Policies and Procedures Related to Manage Data			
MD1.1	Tare weights are updated on periodic basis to ensure proper pricing of Tare transactions.	Inspected Soft-Pak data to determine that vehicle Tare weights were accurately updated in the Soft-Pak system.	Verified.
MD1.2	The Office Manager creates new accounts after notification from the county.	For a sample of new accounts, inspected Soft-Pak account statuses to determine that the associated customer account was accurately created.	Verified.
MD1.3	Customer account status is periodically updated through notification from county collections. The Office Manager updates account statuses in a timely manner.	For a sample of account update notifications, inspected Soft-Pak account statuses to determine that the associated customer account was accurately updated.	Exception noted. For 2 of the 10 updates to account status (Hold, Release Hold, Close, etc), the account was not accurately updated as requested by the county.

Policies and Procedures related to Perimeter Controls.

**POLICIES AND PROCEDURES RELATED TO THE STATED CONTROL OBJECTIVES**

#	Related Policies and/or Procedures Specified by NROWS	Verification of Policies and/or Procedures Performed by BPM	Results of Verification
PR1.1	Monthly Management reports from FacilitaIT notifies Management of patches installed, server uptime, antivirus, helpdesk ticket status, and Email viruses removed.	Sampled monthly reports from FacilitaIT and inspected reports to determine that related systems are continuously monitored and maintained by the service provider.	Exception Noted. For 1 of 5 months sampled, the Management summary from FacilitaIT was not sent.

## **Section V – Other Information Provided by Northern Recycling Operations & Waste Services, LLC**

### **DISASTER RECOVERY PLAN**

Disaster recovery management is under the direction of the managing member, Director of Operations, Shop Manager, and Chief Financial Officer. This team is available 24 hours a day, seven days a week. The Company has an emergency preparedness plan that outlines the steps to be taken in the case of an emergency at the Company's facilities.

The Company has also a business continuity plan and information recovery system that includes availability of new IT equipment within 24 hours and data tape delivery and restoration services.