



A Tradition of Stewardship  
A Commitment to Service

## **Napa-Vallejo Waste Management Authority**

**Board Summary**  
of  
Accountant's Report on Applying Agreed-Upon Procedures  
For the Quarter Ended December 31, 2012

Issued by  
**AUDITOR-CONTROLLER**  
**Internal Audit Section**  
May 2, 2013

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
BOARD SUMMARY  
TABLE OF CONTENTS**

	<u>Page</u>
<b><u>Executive Summary</u></b> .....	1
<b><u>Procedures With Results</u></b>	
I. Accounts Receivable.....	4
II. Revenue.....	4
III. Internal Controls.....	6
<b><u>Exhibits</u></b>	
Exhibit A – Accounts Receivable Activity Over 90 Days.....	8
Exhibit B – Analysis of General Ledger Activity.....	9
Exhibit C – Summary of Cash (Shortage) Overage.....	10
<b><u>Appendix</u></b>	
A – Additional Information – Tickets with Negative Amounts .....	11



A Tradition of Stewardship  
A Commitment to Service

**Auditor-Controller**

1195 Third Street · Room B10  
Napa, CA 94559  
[www.countyofnapa.org](http://www.countyofnapa.org)

Main: (707) 253-4551  
Fax: (707) 226-9065

**Tracy A. Schulze**  
Auditor-Controller

## EXECUTIVE SUMMARY

Board of Directors  
Napa-Vallejo Waste Management Authority  
1195 Third Street, Room 201  
Napa, California 94559

### Scope

We have performed the procedures outlined in the engagement letter, which were agreed to by the Executive Director of the Napa-Vallejo Waste Management Authority (NVWMA), on behalf of the Board and Manager of the Devlin Road Transfer Station (DRTS). These procedures are solely to assist the designated parties with respect to the documents obtained through the performance of the agreed-upon procedures as they pertain to the Revenue, Accounts Receivable and specified operations of Northern Recycling Operations & Waste Services, LLC (Northern), for the quarter ended December 31, 2012.

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. Responses to the findings identified in our report have been provided by Northern and the Central Collection division of the Napa County Treasurer-Tax Collector (Treasurer). We did not audit these responses and, accordingly, we express no opinion on them.

### Objective

The objective of our review was to provide the Authority with the results of the agreed-upon procedures.

## Procedures

Our examination was performed in accordance with the agreed-upon procedures and included examining the revenue and accounts receivable transactions occurring at DRTS for the quarter and to provide a summary of the results to the Board of Directors and the Executive Director of the Napa-Vallejo Waste Management Authority.

## Summarized Results

Based on the agreed-upon procedures, we noted instances of internal control weaknesses, errors, and transactions requiring notification to the Board and management as follows:

### Report Reference

- I.A** Account Balances over 90 Days – As of December 31, 2012, thirty (30) accounts had balances over 90 days past due and three (3) accounts had refunds due for over 90 days for an aggregate amount of \$10,066.88.
- II.B1** Shortage/Short Pays – During the quarter one (1) short pay occurred in the amount of \$10.56 causing the shortage for the quarter.
- II.B2** General Ledger Posting Errors – There were three (3) deposits for the aggregate amount of \$9,984.22 posted in error to the General Ledger.
- II.B3** Payment Amount Posted In Error – There was one (1) instance where a customer’s payment for \$66 was posted as \$6 in the General Ledger.
- III.A** Incorrect Rate Charged – There were four (4) instances where the customer was incorrectly charged resulting in an overcharge of \$95.76.
- III.B** Same Time In and Out – During the quarter there were eight (8) tickets with the same “Time In” and “Time Out” that were not Collection Contractors or public agencies for an aggregate of \$11,106.48.


The detailed report provided to the Executive Director and the supporting schedules resulting from performing of the agreed-upon procedures are available upon request. Only those procedures resulting in a finding have been reported in the Board Summary. Detailed information of the reported findings and recommendations can be found starting on page 4.

## Conclusion

We determined that Northern Recycling Operations & Waste Services, LLC currently owes Napa-Vallejo Waste Management Authority \$10.56 for cash shortages occurring during the period of October 1, 2012 to December 31, 2012. The cumulative shortage for the fiscal year ending June 30, 2013 is due to Napa-Vallejo Waste Management Authority upon the receipt of a letter from the Executive Director of NVWMA in accordance with the conditions set forth in the Agreement between Northern Recycling Operations & Waste Services, LLC and Napa-Vallejo Waste Management Authority. In addition to the cash shortage of \$10.56, an aggregate of \$31,313.34 in additional errors was determined as a result of the procedures performed.

This report is intended solely for the information and use of the Board of Directors and the Executive Director of the Napa-Vallejo Waste Management Authority and the Manager of the Devlin Road Transfer Station and is not intended to be used by anyone other than these specified parties.

Tracy A. Schulze  
Auditor-Controller

By   
Karen Dotson-Querin, CPA  
Audit Manager

May 2, 2013

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2012**

**PROCEDURES WITH RESULTS**

**I. ACCOUNTS RECEIVABLE**

**A. Procedure:** We obtained information from Central Collections regarding the status of accounts 90 days and over past due. The Treasurer's Central Collection Division may request Board approval to write-off the uncollectible accounts twice a year, historically in December and June.

**Results A: Account Balances over 90 Days** – All accounts over 90 days and their status have been presented in Exhibit A on page 8 for an aggregate amount of \$10,066.88, including fees and interest, which is an increase of \$4,521.19 compared to the prior quarter balance of \$5,545.69. See Exhibit A on page 8 for a detailed listing of the "Accounts Receivable Activity over 90 Days".

**Treasurer's Response A:** See Exhibit A for Treasurer's Collection Measures.

**II. REVENUE**

**A. Procedure:** We completed a comparison of the general ledger activity to the deposit slip information submitted by DRTS for the quarter ended December 31, 2012. We summarized our comparison in Exhibit B on page 9 ("Analysis of General Ledger Activity"). We also verified the timeliness of transmitting the deposit information and recording the revenue in the proper account.

**Results A: Deposits** – The comparison reflects total deposits of \$3,219,441.76 for the quarter.

**B. Procedure:** Using the "Scale Transaction Reports," we summarized the total cash, check, and credit card payments for each day and calculated the monthly total. We completed a comparison of the payments per the Scale Transaction Report to the payments per the deposit information for the quarter ended December 31, 2012. We have summarized our comparison and findings in Exhibit C on page 10 ("Summary of Cash (Shortage) Overage").

**Results B1: Shortage** – One (1) exception, resulting in a net cash shortage of \$10.56 inclusive of bank adjustments, was noted for the quarter ended December 31, 2012. The exception has been presented in Exhibit C, "Summary of Cash (Shortage) Overage". The year-to-date cash shortage is \$42.92. The shortage was caused by one (1) short pay in the amount of \$10.56 on December 29, 2012. Although the short pay ticket (#585127) was not paid by December 31, 2012, a payment was made on January 2, 2013.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2012**

**PROCEDURES WITH RESULTS**

**II. REVENUE (Continued)**

**Exception B2: General Ledger Posting Errors** – During the quarter ended December 31, 2012, we noted three (3) deposits for the aggregate amount of \$9,984.22 which were posted incorrectly to the General Ledger on November 9, 12<sup>th</sup>, and 13<sup>th</sup> of 2012. The errors were not corrected until January 10, 2013.

**Exception B3: Payment Amount Posted In Error** – During the quarter ended December 31, 2012, we noted one (1) deposit received on October 22, 2012 in the amount of \$66 was posted as \$6 to the General Ledger. This error was not discovered until Central Collections was notified by the Auditor-Controller's Office on March 13, 2013. The bank was contacted by the Treasurer's Office and a correction in the amount of \$60 was posted to the General Ledger on March 22, 2013.

**Recommendation B2 & B3:** We recommend that Central Collections implement procedures to have another individual review the deposit before the information is posted to the General Ledger. We also recommend that a monthly reconciliation occurs to ensure that all transactions are accurate and errors are resolved in a timely manner.

**Treasurer's Response B2:** The deposits referred to in this exception consisted of checks and cash received by the Transfer Station and sent directly to the bank via Brinks, thus bypassing Central Collections. These types of deposits are processed by the Treasury staff as one part of the many "auto deposits" received by the Treasury department when the activity is recorded on the bank's daily activity reports. In this case, all three days were reflected on the same date at the bank, and processed on one deposit authorization (#54561) with multiple lines reflecting the NVWMA deposit date detail. The deposit authorization and any backup would have been sent to the department on the day it was processed. Each department receiving an "auto deposit" is responsible for the review of the entry and general ledger reconciliation, not the Treasury staff. When an error is detected, the department notifies the Treasury Department which, in turn, makes any necessary correction. We acknowledge that this deposit was encoded to another department in error, and have reviewed the error with the appropriate staff. We believe this to be an isolated key error, and are not implementing additional procedures at this time.

**Treasurer's Response B3:** The item involved in this exception was processed on CAMS in the correct amount of \$66.00; however, it was processed through the bank and general ledger deposits as \$6.00. The difference was identified by Central Collections during their monthly review of the October activity and flagged as needing an adjustment. The correction would have been processed by Treasury staff during their monthly reconciliation of CAMS activity, however Treasury is only responsible for balancing the various Trust accounts; non-trust account reconciliations are performed by other departments. As this was unknown by Central Collections staff, they did not point out this exception to Treasury, and Treasury did not review non-trust activity.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2012**

**PROCEDURES WITH RESULTS**

**II. REVENUE (Continued)**

**Treasurer’s Response B3:** (Continued) As a result, the adjustment did not get completed during the normal month-end processing. Additionally, as the bank processed the item in the same, incorrect amount as the general ledger deposit, there was no reconciling item identified during the bank reconciliation process. To prevent this type of error from occurring again in the future, we have reviewed the Treasury month-end reconciliation process with Central Collections staff; any future non-trust adjustment will be processed upon discovery and not held until month-end. Additionally, to prevent and identify this type of input error, we will implement procedures to add a verification step to our CAMS posting process insuring that CAMS receipts, the bank deposit, and general ledger deposit are all processed in the same amount.

**III. INTERNAL CONTROLS**

**A. Procedure:** We analyzed every ticket on the “Scale Transaction Report” and determined if:

1. Tonnage was charged at the appropriate rate.
2. The minimum vehicle charge was applied.
3. Tare amounts were included on the “Scale Transaction Report” for each ticket.

The appropriate rate and minimum vehicle charge are based on the current fees in Resolution #2011-08 increased annually by \$1, which was adopted by NVWMA Board of Directors on June 2, 2011.

**Exception A: Incorrect Rate Charged** - As a result of this procedure, we noted four (4) instances where the customer was charged incorrectly resulting in an overcharge of \$95.76. The following table summarizes the results of our analysis.

**Table 1  
Incorrectly Charged Tickets**

<u>Description of Finding</u>	<u>Instances</u>	<u>Amount</u>
Franchise Hauler Charged Non-franchise Rate	4	\$ 95.76
	<u>4</u>	<u>\$ 95.76</u>

**Recommendation A:** It is recommended that Northern verify that the Soft-Pak system is programmed to charge all customers at the correct rates. Northern should submit a billing adjustment to Central Collections to correct the affected accounts receivable customers.

**Northern’s Response A:** Northern Recycling submitted a billing adjustment form on November 7, 2012 for the four (4) tickets for \$95.76.



**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED DECEMBER 31, 2012**

**PROCEDURES WITH RESULTS**

**III. INTERNAL CONTROLS (Continued)**

**B. Procedure:** We examined the Scale Transaction Reports for the quarter ended December 31, 2012 and noted transactions with the same “Time In” and “Time Out.” Tickets have the same “Time In” and “Time Out” when staff manually input the tickets. Manual tickets may be required if the system is down. We excluded tickets for non-weighed items (e.g. auto batteries, tires, etc.), tickets for Collection Contractor’s vehicles and public agencies with tare weights coded into the system in accordance with the Northern contract, hand tags for system outages and tickets where the comment indicated that the ticket was entered manually to correct a previous ticket. As a result of this procedure we noted the following exception:

**Exception B: Same Time In and Out** – We noted eight (8) tickets with the same “Time In” and “Time Out” entries for an aggregate amount of \$11,106.48 for inbound materials for non-franchise accounts receivable customers.

The eight (8) non-franchise accounts receivable tickets were for account #60598. Account #60598 is the account for NVWMA’s contractor, Northern. The tickets did not pertain to non-weighed items, hand tags for system outages, Collection Contractors, or public agencies and did not have an explanation provided to determine if the tickets were replacement tickets. It should be noted that the contract between Northern and NVWMA currently provides for the storing of tare weights for Collection Contractors’ vehicles. By definition, Collection Contractors are entities, separate from the agreement between NVWMA and Northern, are contracted, licensed, permitted or otherwise designated by the Authority or Authority’s Members Agencies. On June 1, 2011 and May 14, 2013, the Executive Director authorized DRTS to utilize tare weights of vehicles of public agencies and for Northern, respectively. As such, Northern shall be responsible for the contractual duty of ensuring the accuracy of the tare weights (i.e. re-weighing of vehicles no less than two (2) times per year) of the public agencies and the Northern trucks, as well as the Collection Contractors’ vehicles.

**Recommendation B:** During the quarter ended December 31, 2012, DRTS was not authorized to utilize stored tare weights for non-franchise private contractors. However, subsequent to the quarterly review, Northern obtained written permission from the Executive Director to store tare weights for the Northern trucks. We recommend that if DRTS intends to utilize stored tare weights for any additional non-franchise private contractors, then DRTS needs to contact the NVMWA’s Executive Director to discuss implementing the appropriate procedures. Written approval or an amendment to the contract must be obtained prior to additional customers being added to the list of stored tare weights.

**Northern’s Response B:** Eight of the tickets in question were hauled by a vehicle owned by Northern Recycling. This vehicle is a transfer truck and trailer combo and it has always been approved for stored tare weights. This vehicle’s tare weight is updated two times per year at the same time we update all of the facilities stored tare weights.

## Exhibit A

### Napa-Vallejo Waste Management Authority Accounts Receivable Activity Over 90 Days Per Central Collections As of December 31, 2012

Account Number	Total	Collection Measures*
<b>Account 501 - General A/R</b>		
Abel's Roofing	\$ 149.82	Paid 1/22/13
Cannaday Construction	743.92	Continue collection procedures
Carlos Landscape	425.70	Paid 1/17/13
City of Napa	(5.79)	Not applicable. Refunding overage 3/29/13
Commercial Development Consultants	90.41	Continue collection procedures
Davidson & Bennett Realtors	(0.01)	Applied to invoice #50683236
Davis Trucking	32.00	Will request write-off
Forbes & Sons, Inc.	232.32	Paid 2/27/13
Future-Scapes Landscaping	308.22	Paid 2/5/13 & 3/25/13
Gale, Keith J. General Engineer	539.88	Paid 1/17/13
Lowry Custom Innovations	33.00	Paid 1/3/13
Malone Roofing	355.08	Continue collection procedures
Moonlite Maintenance Service	1,300.20	Paid 1/22/13
Napa Valley Door & Trim	249.40	Continue collection procedures
Napa Valley Drywall Co.	(0.01)	To overs/shorts on 2/28/13
NCCEO Community Action	64.00	Paid 1/16/13
Noble House Construction & Development	468.24	Paid 2/13/13
Norcal Communications & Construction	63.36	Continue collection procedures
On Time Maintenance Service	1,726.60	Continue collection procedures
Pro Craft Tile Company	220.26	Paid 1/24/13
R.E. Bradley Construction	207.24	Continue collection procedures
Recology Vallejo/Vallejo Garbage	298.50	Dept. still researching difference
Rozco, Edgardo Construction	0.15	Paid 1/18/13
Thurston, James B.	122.76	Paid 1/18/13
Tony's Hauling Service	154.44	Paid 1/17/13
Virtue Development Group, LLC	124.72	Continue collection procedures
<b>Subtotal - 501 - General A/R</b>	<u>7,904.41</u>	
<b>Account 501C - NSF A/R</b>		
Classic Construction	77.00	Continue collection procedures
Golden Gate Roofing Service	783.48	Continue collection procedures
Grossi, Paul DBA North Bay Roofing	179.55	Continue collection procedures
Hernandez, Ruben	678.44	Continue collection procedures
Morgan Peabody, Ltd.	291.00	Continue collection procedures
Rojas, Steven/Aqua Fresca Pool & Spa	77.00	Continue collection procedures
Spangler, Billy	76.00	Continue collection procedures
<b>Subtotal - 501C - NSF A/R</b>	<u>2,162.47</u>	
<b>Total Accounts Receivable Over 90 Days</b>		<u>\$ 10,066.88</u>

\*Collection measures provided by Central Collections.

**Exhibit B**

**Napa-Vallejo Waste Management Authority  
Analysis of General Ledger Activity  
October 1, 2012 through December 31, 2012**

	<b>General Ledger Total</b>	<b>Components</b>			
		<b>Visa / MC</b>	<b>Deposit Slip</b>	<b>CAMS</b>	<b>Other</b>
<b>OCTOBER</b>	\$ 1,362,688.27	\$ 93,543.16	\$ 160,633.34	\$ 1,108,511.77	\$ -
<b>NOVEMBER</b>	988,846.94	73,772.46	120,731.02	794,584.38	(240.92)
<b>DECEMBER</b>	867,906.55	75,426.64	102,685.56	689,794.35	-
<b>QUARTER</b>	<u>\$ 3,219,441.76</u>	<u>\$ 242,742.26</u>	<u>\$ 384,049.92</u>	<u>\$ 2,592,890.50</u>	<u>\$ (240.92)</u>

a

<b>Explanation of Bank Adjustments &amp; Other:</b>	<b>Instances</b>	<b>Amount</b>
Refund/Returned Checks - Non Sufficient Funds (NSF)	1	\$ (205.92)
Chargeback	1	(35.00)
	<u>2</u>	<u>\$ (240.92)</u>

a

Detail is available upon request from the Napa County Auditor-Controller's Office

**Exhibit C**

**Napa-Vallejo Waste Management Authority  
Summary of Cash (Shortage) Overage  
For the Quarter Ended December 31, 2012**

<u>Description</u>	<u>Quarter Ended Sep. 30, 2012</u>	<u>Quarter Ended Dec. 31, 2012</u>	<u>Year to Date</u>
Deposit Slips	\$ 483,944.27	\$ 375,191.96	\$ 859,136.23
VISA Slips	305,778.26	241,675.26	547,453.52
Posting errors/Corrections	-	9,984.22	9,984.22
Subtotal	789,722.53	626,851.44	1,416,573.97
Deposits Per Cash Report	789,754.89	626,862.00	1,416,616.89
Cash (Shortage) Overage	(32.36)	(10.56)	(42.92)
Bank Adjustments	-	-	-
Net Cash (Shortage) Overage	<u>\$ (32.36)</u>	<u>\$ (10.56)</u> <sup>a</sup>	<u>\$ (42.92)</u>
<b><u>Shortage is caused by the following:</u></b>	<b><u>Instances</u></b>		<b><u>Total</u></b>
Short Pay	<u>1</u>		<u>\$ (10.56)</u>
Net Cash (Shortage) Overage	<u>1</u>	<sup>a</sup>	<u>\$ (10.56)</u>

## Appendix A

### Napa-Vallejo Waste Management Authority For the Quarter Ended December 31, 2012

#### Additional Information Tickets with Negative Amounts

	<u>October</u>	<u>November</u>	<u>December</u>	<u>Quarter Ending 12/31/12</u>	<u>Quarter Ending 9/30/2012</u>
Cash Tickets	3	2	3	8	20
A/R Tickets	9	4	3	16	28
Total Tickets	<u>12</u>	<u>6</u>	<u>6</u>	<u>24</u>	<u>48</u>
Cash Amount	\$ (466)	\$ (88)	\$ (97)	\$ (651)	\$ (2,462)
A/R Amount	<u>(2,129)</u>	<u>(1,168)</u>	<u>(719)</u>	<u>(4,016)</u>	<u>(9,264)</u>
Total Amount	<u>\$ (2,595)</u>	<u>\$ (1,256)</u>	<u>\$ (816)</u>	<u>\$ (4,667)</u>	<u>\$ (11,726)</u>

The above table is a summary of negative tickets by transaction type, month, and totals for the quarter ended December 31, 2012 and also includes totals for the prior quarter ended September 30, 2012, for comparison.

