



COUNTY of NAPA

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Auditor-Controller

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ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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 Allied Waste's, hereafter known as Allied, fees for the DRTS for the quarter ended March 31, 2006. 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 February 23, 2007 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 | March 31, 2006 | Dec. 31, 2005 ¹ | Sep. 30, 2005 |
|---------------------|----------------|----------------------------|---------------|
| 500 | \$ 62,943.97 | \$ 77,121.09 | \$ 275,001.86 |
| 500B | 258.20 | 280.96 | 329.68 |
| 500C | 2,003.01 | 3,181.95 | 2,499.66 |
| Subtotal | 65,205.18 | 80,584.00 | 277,831.20 |
| Lemon Street Hauls | - | - | - |
| Total FY 2005/06 | \$ 65,205.18 | \$ 80,584.00 | \$ 277,831.20 |
| Accounts Receivable | \$ 173,952.43 | \$ 200,411.98 | \$ 191,672.34 |
| Lemon Street Hauls | - | - | 65,688.84 |
| Total FY 2004/05 | \$ 173,952.43 | \$ 200,411.98 | \$ 257,361.18 |

¹ December 31, 2005 "500" Accounts Receivable balance has been adjusted to charge back tarp credits wrongly given.

AUDITOR-CONTROLLER'S OFFICE

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

| Account Type | March 31, 2006 | Dec. 31, 2005 | Sep. 30, 2005 |
|------------------|---------------------|---------------------|---------------------|
| 500 | \$ 1,527.71 | \$ 5,040.02 | \$ 5,562.56 |
| 500B | 202.40 | 236.16 | 88.56 |
| 500C | <u>1,932.90</u> | <u>2,392.14</u> | <u>2,402.70</u> |
| Total FY 2005/06 | \$ <u>3,663.01</u> | \$ <u>7,668.32</u> | \$ <u>8,053.82</u> |
| Total FY 2004/05 | \$ <u>18,690.20</u> | \$ <u>18,655.40</u> | \$ <u>22,718.11</u> |

3. Revenue Activity per the "General Ledger Transactions"

| Deposit Type | Year-to-Date | Mar-31, 2006 | Dec-31, 2005 | Sep-30, 2005 |
|------------------|-------------------------|------------------------|------------------------|------------------------|
| Cash | \$ 2,136,595.73 | \$ 612,068.46 | \$ 686,773.32 | \$ 837,753.95 |
| Credit Card | 500,640.61 | 168,273.77 | 154,371.28 | 177,995.56 |
| Accts Receivable | 7,830,429.95 | 2,592,950.92 | 2,632,458.04 | 2,605,020.99 |
| Lemon Street | 2,387.88 | - | - | 2,387.88 |
| Bank Adj & Other | <u>(967.30)</u> | <u>106.05</u> | <u>115.99</u> | <u>(1,189.34)</u> |
| Total FY 2005/06 | \$ <u>10,469,086.87</u> | \$ <u>3,373,399.20</u> | \$ <u>3,473,718.63</u> | \$ <u>3,621,969.04</u> |
| Total FY 2004/05 | \$ <u>6,800,119.82</u> | \$ <u>2,945,319.53</u> | \$ <u>3,216,313.70</u> | \$ <u>3,583,806.12</u> |

4. Cash Overages (Shortages):

| For the Quarter Ended | FY 2005/06 | FY 2004/05 |
|-----------------------|--------------------|----------------------|
| March 31 | \$ 59.70 | \$ (407.41) |
| December 31 | (486.59) | (146.49) |
| September 30 | <u>(177.33)</u> | <u>(770.43)</u> |
| Year-to-Date | \$ <u>(604.22)</u> | \$ <u>(1,846.40)</u> |

Accounts Receivable

We compared the "Accounts Receivable by Name" reports as of March 31, 2006, to the activity in each client's account for the quarter ended March 31, 2006 from the "Invoice Register-Summary by Customer Account Name" and "Transaction Register". We summarized the "Accounts Receivable by Name" report as of March 31, 2006 and adjusted the report for the exceptions noted in prior reports for Norman Wells (\$266.56) and Art Tech Roofing (86 cents), in addition to the following exceptions:

Exception: January 2006 Mark Edwards Construction \$6.40

Ticket number 577615 was charged to Mark Edwards Construction at \$54.00 per ton. An adjustment or write-off of \$6.40 is required to correct the accounts receivable balance of this account.

Exception: City of Vallejo & Vallejo Sanitation and Flood \$693.86

Tarp credits of \$410.46 were wrongly credited to City of Vallejo and tarp credits of \$152.08 were wrongly credited to Vallejo Sanitation & Flood during the quarter ended March 31, 2006. Tarp credits of \$131.32 were wrongly credited to City of Vallejo during the quarter ended December 31, 2005. Adjustments to charge back these credits from both quarters were posted January 3, 2007.

The following exceptions have been recognized in the Accounts Receivable Activity Summary but are either questioned or noted for your information.

Exception: Various Adjustments \$1,481.35

DRTS instructed Central Collections to charge-off four (4) tickets because DRTS could not locate or verify their copy of the tickets. Ticket 560375 for an amount of \$21.50 charged to Reid Sheet Metal on November 9, 2005 and ticket 583110 for an amount of \$123.69 charged to J Z Construction January 11, 2006 were both cancelled because DRTS could not locate their copy of the tickets. Ticket 546623 for an amount of \$668.08 charged to Golden State Construction on October 8, 2005 and subsequently moved to Golden State Debris during October 2005, and ticket 900013 for an amount of \$668.08 charged to Golden State Debris on November 1, 2005 were both cancelled because Golden State Debris ceased using the facility on September 30, 2005, prior to the dates of both tickets. Based on the out of sequence number of the second ticket and the matching amount of \$668.08, it appears that the second ticket was not an actual ticket.

Recommendations:

1. Schedule for Board approval on a quarterly basis any invoices to be charged-off because tickets cannot be verified.
2. Further inquiry to determine whether ticket 546623 belonged to Golden State Debris with a view to potentially reinstating this charge.

Exception: Administration Fees and Interest Charges \$480.04

An amount of \$480.04 is owed by NVWMA's "Landfill Fee" trust to the Treasurer's "Central Collection" trust as of March 31, 2006. The composition of this remaining balance has been identified and journal entries posted as of June 30, 2006 and January 4, 2007 have corrected this position.

Revenues

- A. We recalculated the charges on the "Customer Detail – Customer Activity Report" for 200 randomly selected transactions from each of the monthly reports for both quarters.

Exception: As noted in previous reports, loads weighed at 0.34 tons to 0.37 tons (680 – 740 pounds) have been charged at \$22. This pricing is not in line with the wording of the schedule of fees adopted by Authority Resolution #05-15 which became effective November 1, 2005. The resolution as it applies to non-franchised vehicles stipulates that weighed loads of more than 660 pounds will be charged at \$59 per ton or fraction thereof. At that rate, a load of 0.34 tons would be charged \$20.06 and a load of 0.37 tons would be charged \$21.83. We have calculated an overcharge for all cash and invoice customers of \$774.76 during the quarter ended March 31, 2006.

Recommendation: We note that Resolution 07-01 effective February 1, 2007 increased the weight above which the per ton rate applies from 660 pounds to 740 pounds. However, because the per vehicle charge was also increased from \$22 to \$27 overcharging will continue unless the formula for calculating weighed loads at the scale house is aligned with the schedule of fees outlined in Resolution 07-01 (e.g. per Resolution 07-01 a load of 760 pounds at \$60 per ton should be charged \$22.80). It may be more practical to change item (d) in the fee resolution to read "minimum vehicle charges for non-franchise haulers properly tarped - \$22" and add an item to the fee resolution such as "minimum vehicle charges for non-franchise haulers without properly tarped load - \$27".

- B. We compared the amounts reported on the "DRTS Cash Receipt Journal – Summary by Name" to the deposit slips and credit card charges, as maintained in the files of the Napa County Department of Environmental Management's Office.

Exception: Forty-five (45) exceptions and a net cash shortage of \$212.63 were noted for the quarter ended March 31, 2006. As of March 31, 2006 there was a year to date net cash shortage of \$1,129.53 before bank adjustments and payments received on "No Pay" customers.

Recommendation: Allied should go over their reconciliation procedures to ensure that the current procedures are effective at minimizing discrepancies such as those listed in Exhibit C.

- C. We compared credit card charges included in the “DRTS Cash Receipt Journal” to the “General Ledger Transactions” report.

Exception: Twenty-six (26) exceptions were noted out of the eighty-nine (89) summary charge slips for the quarter ended March 31, 2006. Credit card charges posted to the General Ledger were \$75.87 less than Allied’s records for the quarter ended March 31, 2006.

Recommendation: Staff inputs the payment type when the client enters the facility on the inbound scale. However, staff may not be changing the coding if the payment rendered is different at the outbound scale. If a ticket is closed before the payment type is changed, then DRTS will need to continue providing a copy of the cash reconciliation for the day to the Auditor-Controller’s office to account for the discrepancy.

- D. We compared the bank adjustments to the amounts posted in the “General Ledger Transactions” report.

Exception: There were ten (10) bank adjustments processed through the General Ledger during the three months ended March 31, 2006 for a net aggregate amount of \$192.94. By way of comparison, an average of five (5) bank adjustments were processed during each of the preceding two (2) quarters ended September 30, 2005 and December 31, 2005.

Recommendation: 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.

- E. We traced the tickets that were not paid at the time the transfer station was used and determined if they were paid at a later date for the three months ended March 31, 2006.

Exception: An unpaid amount of \$69.30 was reported to Central Collections and assigned to Steven E Rex as of February 6, 2006. The amount was not recorded on the Short/No Pay Quarterly Report for the quarter ended March 31, 2006. We understand that DRTS require this report to be completed for tracking purposes.

F. We compared the "General Ledger Detail Transactions" report to the information obtained in the detailed break down of General Ledger Activity.

Exception: There were two (2) instances during the quarter ended March 31, 2006 where the deposit information was not posted to the GL timely. \$2,409.95

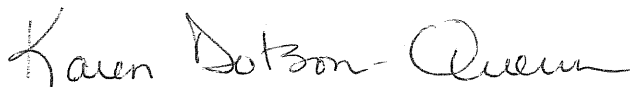
Recommendation: Continued effort by the Treasury staff should be made to ensure that deposits are posted in a timely manner.

Exception: There were nine (9) instances during the quarter ended March 31, 2006 where deposit information was not faxed timely by DRTS to NVWMA representatives in the Napa County Treasurer's office and two (2) instances where deposit information was never faxed by DRTS to NVWMA representatives in the Napa County Treasurer's office. \$38,841.77

Recommendation: Continued effort by the DRTS staff should be made to fax all deposit information to the County offices.

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 Supervisor

February 23, 2007