



BROWN ARMSTRONG

Certified Public Accountants

AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING

To the Honorable City Council
City of Modesto, California

In planning and performing our audit of the basic financial statements of the City of Modesto, California (the City) for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. However, during our audit we became aware of two matters that are an opportunity for strengthening internal controls and operating efficiencies. The comments listed below summarize our comment and suggestion regarding this matter. We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with City personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Current Year Condition and Recommendation Agreed Upon Condition 1 – Disaster Recovery Plan

Condition:

During our review and walkthrough of the Information Technology (IT) general controls, we noted the City currently does not have an Information System and Technology Disaster Recovery Plan in place. Without proper Disaster Recovery procedures and plans, the information assets and critical financial applications and data may be lost or not be available in a reasonable timeframe when unexpected incidents occur.

Recommendation:

We recommend the City consider designing and documenting the Disaster Plan according to their associated business risks and the available resources. The Disaster Recovery plan test is recommended to be performed on a reasonable frequency (annually at least).

Management Response:

The Oracle DBA routinely clones production ERP system to test servers as a means of proving that the recovery/restoration process is valid as well as providing an environment for testing purposes. We are currently in the process of securing a Disaster Recovery location outside of the City. Discussions are in progress with Oracle on how best to provide backup data and transport to a recovery site and what best practices should be instituted to provide a complete and reliable disaster recovery plan. It is estimated that the City will have a proposed ERP Disaster Recovery plan for consideration by the Executive team within 2015.

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Agreed Upon Condition 2 – Server Room Access

Condition:

The access to the IT server room is not restricted to the job responsibilities related personnel. Allowing the access to Non-IT related personnel may cause a compromise on the data integrity of critical financial applications and information assets. It may also cause unexpected damage and loss on the IT assets.

Recommendation:

We recommend the City IT function should restrict the user physical access to the server room to prevent unexpected damage and loss to the information hardware and software assets.

Management Response:

The IT Server Room is accessible by Joint Powers Authority (JPA) staff since this building is shared by Stanislaus County and City of Modesto operations. The room is also accessible by the Modesto Police and City Fire Department staff as well as IT staff. Staff who have building wide access will have badge rights to enter this room in the current system. Building Engineering is in the process of replacing the current badge access system and states that the best way to restrict access to the City Server Room will be by removing this room from building wide access in the new system. The Server Room access will be restricted in the new security system which should be in place within this fiscal year.

Prior Year Conditions and Recommendations

There were no prior year conditions or recommendations for fiscal year 2013.

The purpose of this report is to provide management of the City and the City Council opportunities for strengthening internal controls. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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Bakersfield, California
December 19, 2014