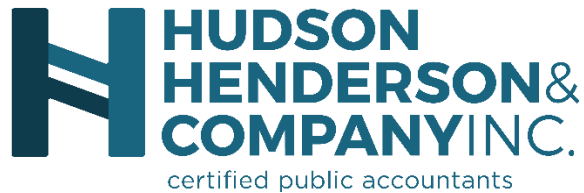


**CITY OF MODESTO-  
CONTRACT COMPLIANCE**

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**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
AGREED UPON PROCEDURES**

**FOR THE YEAR ENDED  
JUNE 30, 2010**



## INDEPENDENT ACCOUNTANTS' REPORT

To the City Council of the City of Modesto  
Modesto, California

We have performed the procedures enumerated below, which were agreed to by the City of Modesto (the City), on specified accounts, transactions and internal control procedures in relation to contract compliance for the year ended June 30, 2010. The City's management is responsible for the transactions, internal control procedures and contract compliance policies and procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in 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.

Our procedures and findings are as follows:

1. For the year ending June 30, 2010, obtained the list of annual contract agreements and purchase orders and selected a random representative sample for review of compliance with City purchasing policies and procedures (30 agreements) by performing the following procedures:
  - A) Obtain copies of contract agreements and the City Council's Board Resolutions, and test for proper recording, processing, and set-up in the purchasing module in accordance with City of Modesto purchasing policies.
  - B) Verify that contract approval amounts, the set-up of the contract, and all City of Modesto purchasing policies are being followed as appropriate for the size of the contract.
  - C) Verify the amount as expended doesn't exceed the contract value or the approved amount as per City Council Board Resolutions.
  - D) Verify that all changes/amendments to the contracts selected were approved and properly followed policies and procedures per the City of Modesto's purchasing policies.

*Findings:* Per the procedures performed above (see list of agreements tested in Appendix I), we noted the following:

- For one contract, we noted that the amount entered into the purchasing software was greater than the amount approved per the contract. After reviewing the contract in more detail, we noted that there was a 15% contingency allowed that could be approved by the City Manager with a written request by the vendor. Per review of documentation of support reviewed, the City did not receive a written request or obtain the City Manager approval. As a result, the amount entered into the purchasing software was \$3,374 more than what should have been entered as the limit.

*Findings (continued):*

- While minor in amount, it was noted that two (2) of the thirty (30) agreements selected had expenditures that exceeded the approved amount of the agreement. One agreement exceeded the approved amount by \$4.20, and the other agreement exceeded the approved amount by \$20.49. For both agreements, it was noted that the agreement was properly initiated, approved and set-up in the system in accordance with City purchasing policies.
2. For the fiscal year ended June 30, 2010, obtained a list of outstanding purchase orders at the time of the purchasing software conversion from AFIN to COSMO. From this population, we selected a random sample of fifteen (15) purchase orders and performed the following:
    - A) Test all purchase orders for proper recording, processing, and set-up in the City's COSMO purchasing software.

*Findings:* From our onsite visit and tests completed in late May 2018 we noted that one of the fifteen purchase orders tested was not accurately setup in the COSMO system. The amount reflected in the COSMO system was less than the amount reflected in the AFIN system. Besides this exception, the purchase order did not exceed Council approval, was correctly charged to the same general ledger account, and did not expend more funds than either limit.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination, or review, the objective of which would be the expression of an opinion on the policies and procedures of the City of Modesto Purchasing Division. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
June 28, 2018

**CITY OF MODESTO  
CONTRACT COMPLIANCE  
APPENDIX I  
LIST OF AGREEMENTS TESTED**

#	PO Number	Type of PO	Vendor	Contract(s) Amount (Noted per Review of Discover System)	City Council's/Policy Approval Amount	Total Expended Against PO	Contract(s) in excess of City Council & Policy Approved Limits	Expenses in excess of City Council & Policy Approved Limits
1	PCLP10005	Lease/Rent	MODESTO EMPIRE TRACTION CO	\$ 33,480.00	\$ 37,872.00	\$ 37,872.00	\$ -	\$ -
2	PC10-08410	Standard PO	ESRI INC	27,450.79	27,450.79	26,848.32	-	-
3	PCAC10025	Annual Agreement	AMERICAN CHILLER SERVICES INC	23,442.00	23,442.00	23,442.00	-	-
4	PCLP10004	Lease/Rent	BEARD LAND IMPROVEMENT	56,398.58	56,398.58	56,398.58	-	-
5	PCAC10009	Annual Agreement	BURTON'S FIRE INC	100,000.00	100,000.00	80,689.44	-	-
6	PC10-08688	Standard PO	DELL MARKETING L P	173,104.20	1,124,503.00	173,104.20	-	-
7	PC09-08395-1	Standard PO	INDUSTRIAL ELECTRICAL COMPANY	25,983.77	25,983.77	25,983.77	-	-
8	PC09-08184-1	Standard PO	JORGENSEN AND CO	1,290.98	1,290.98	1,295.18	-	4.20
9	PCLP10009	Lease/Rent	MCELROY, ROGER A	29,580.00	29,580.00	29,580.00	-	-
10	PCAC10008	Annual Agreement	R&L DIESEL SERVICE INC	25,000.00	25,000.00	14,216.79	-	-
11	PCAC10035	Annual Agreement	SCOTT'S PPE RECON INC	40,000.00	40,000.00	39,460.61	-	-
12	PC09-08363-1	Standard PO	SIMPLEXGRINNELL	21,472.05	21,472.05	21,492.54	-	20.49
13	PC10-08452	Standard PO	UCP INC OF STANISLAUS COUNTY	12,000.00	120,000.00	12,000.00	-	-
14	PC10-08664	Standard PO	UNITED RENTALS	12,136.92	12,136.92	12,136.93	-	-
15	PC10-08644	Standard PO	XIOTECH CORPORATION	15,607.08	15,607.08	14,401.00	-	-
16	PC10-08440	Standard PO	ADAMSON POLICE PRODUCTS	35,221.88	35,321.88	35,221.88	-	-
17	PC10-08631	Standard PO	DJ ROCHA TRUCKING INC	8,800.13	8,800.13	8,485.09	-	-
18	PC10-08428	Standard PO	DLT SOLUTIONS INC	21,442.67	21,442.67	21,442.67	-	-
19	PC10-08411	Standard PO	G C U TRUCKING INC	3,767.34	3,767.34	3,767.34	-	-
20	PCAC10011	Annual Agreement	HI-TECH E.V.S.	12,500.00	12,500.00	12,387.82	-	-
21	PC10-08831	Standard PO	IT SOLUTIONS/CURRIE	15,081.47	15,081.47	15,081.47	-	-
22	PCLP10010	Lease/Rent	KAMRAR, DAVID OR CAROLE	19,440.00	19,440.00	19,440.00	-	-
23	PC10-08505	Standard PO	NEXTEL COMMUNICATIONS	205.95	205.95	2.00	-	-
24	PC10-08436	Standard PO	STOTT OUTDOOR ADVERTISING	17,820.00	17,820.00	17,820.00	-	-
25	PCMC10025	Maintenance Contract	ZOOM IMAGING SOLUTIONS INC	2,250.15	2,250.15	2,250.15	-	-
26	PC09-08164	Standard PO	AMERINE SYSTEMS INC	81,562.50	1,643,685.00	79,585.82	-	-
27	PCSA10021	Service Agreement	BLACKBURN CONSULTING	25,864.00	22,490.00	22,471.58	3,374.00	-
28	PC09-08393	Standard PO	CASSLE DOOR COMPANY INC	35,614.08	35,614.08	35,614.06	-	-
29	PC09-08281	Standard PO	ORACLE	90,211.52	675,800.00	90,211.52	-	-
30	PCAC10030	Annual Agreement	PACIFIC MAINTENANCE COMPANY	77,000.00	77,000.00	60,493.75	-	-
<b>Totals-</b>				<b>\$ 1,043,728.06</b>	<b>\$ 4,251,955.84</b>	<b>\$993,196.51</b>	<b>\$ 3,374.00</b>	<b>\$ 24.69</b>