



CITY OF DEL REY OAKS

650 CANYON DEL REY BLVD., DEL REY OAKS, CALIFORNIA 93940
PHONE (831) 394-8511 FAX (831) 394-6421

Staff Report

DATE: May 19, 2026
TO: Honorable Mayor and City Council
FROM: John Guertin, City Manager
SUBJECT: Approval of an Agreement with Chavan & Associates, LLP for Business License Tax Audit Services
CEQA: This Action is not subject to the California Environmental Quality Act (CEQA) as it is not a project pursuant to Guidelines Section 15378 (b)(5) because it is an organizational or administrative activity of the City that will not result in direct or indirect physical changes in the environment.

Recommendation

Adopt Resolution No. 2026-10 approving an agreement with Chavan & Associates, LLP to provide Business License Tax agreed-upon procedures and audit services for fiscal year ending June 30, 2026.

Background

The City of Del Rey Oaks collects business license taxes pursuant to Chapter 5.04 of the Del Rey Oaks Municipal Code. To ensure compliance with the City's business license requirements and verify the accuracy of reported gross receipts, the City periodically engages an independent accounting firm to perform agreed-upon procedures related to business license tax filings.

Discussion

Chavan & Associates, LLP has submitted a proposal to provide agreed-upon procedures services related to the City's Business License Tax program for the fiscal year ending June 30, 2026. The engagement will include reviewing a sample of business license applications, renewals, payments, and related filings, and comparing those records to supporting financial documentation maintained by sampled businesses.

Under the proposed agreement, Chavan & Associates will coordinate with City staff to identify businesses for review, obtain supporting records, conduct interviews and testing procedures, and prepare a report regarding compliance with Municipal Code Section 5.04.

The firm has extensive experience providing municipal audit and accounting services and is familiar with the City's financial reporting requirements and operational structure. Staff believes the proposed agreement will provide an independent and objective review of business license tax reporting and assist the City in ensuring compliance with local regulations.

Fiscal Impacts

The proposed agreement provides for fees ranging from approximately \$1,200 to \$1,800 per business sampled, based on the time required to complete the agreed-upon procedures. Funding for these services is available within the adopted Fiscal Year 2025-2026 budget.

Respectfully Submitted,

John Guertin,
City Manager

RESOLUTION NO. 2026-10

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DEL REY OAKS APPROVING AN AGREEMENT WITH CHAVAN & ASSOCIATES, LLP FOR BUSINESS LICENSE TAX AUDIT SERVICES

WHEREAS, the City of Del Rey Oaks collects business license taxes pursuant to Chapter 5.04 of the Del Rey Oaks Municipal Code; and

WHEREAS, the City desires to verify compliance with business license tax reporting requirements through independent agreed-upon procedures services; and

WHEREAS, Chavan & Associates, LLP has submitted a proposal to perform Business License Tax agreed-upon procedures services for the fiscal year ending June 30, 2026; and

WHEREAS, the City Council finds that approval of the agreement is in the best interests of the City.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Del Rey Oaks as follows:

1. The City Council hereby approves the agreement with Chavan & Associates, LLP for Business License Tax agreed-upon procedures services.
2. The City Manager is authorized to execute the agreement and any minor non-substantive amendments necessary to carry out the intent of this Resolution.
3. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Del Rey Oaks on May 19, 2026, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

ATTEST:

Scott Donaldson, Mayor

Karen Minami, City Clerk



May 13, 2026

City of Del Rey Oaks
650 Canyon Del Rey Rd.
Del Rey Oaks, CA 93940

RE: Business License Tax AUP

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide for the City of Del Rey Oaks (the “City”) as of and for the fiscal year ending June 30, 2026.

We will perform the procedures enumerated below. These procedures, which were agreed to by the City will be performed solely to assist the City in inspecting third-party records supporting business license tax (BLT) applications, renewals, payments and related filings for the year ended June 30, 2026, pursuant to City Municipal Code 5.04. Management is responsible for any source documents provided by the City. This agreed-upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We are responsible for carrying out the procedures and reporting findings in accordance with these standards. The sufficiency of these procedures is solely the responsibility of the City. 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. This engagement is solely for the purpose of reporting our findings in-regards to the results of the procedures performed. The procedures we will perform have been agreed to by city management.

We will perform the following procedures:

1. Identify a sample of businesses to be tested with City management concurrence.
2. Obtain contact information from City management.
3. Obtain applications, renewals, payments and related filings for sampled businesses as submitted to the City.
4. Schedule time with each business sampled, either on site or remotely, to perform the following procedures:
 - a) Document via interview of the business owner, manager or employee, their process for registering, collecting and accounting for gross receipts reported as the basis for the business license tax.
 - b) Tie documents submitted to the City to the business’ general ledger and point of sales reports and ensure that all applicable sales were correctly reported.
 - c) Tie merchant services reports to the general ledger as applicable.
 - d) Compare a sample of deposits made per bank statements to the general ledger to check the completeness of the applications, renewals, payments and related filings submitted to the City.
5. Prepare a report of business’ compliance with the City’s Municipal Code 5.04.



The agreed-upon procedures to be performed do not constitute an examination or review of the subject matter. Accordingly, we will not express an opinion or conclusion on the subject matter. If we did perform additional procedures, other matters might come to our attention that would be reported to you. Our report will list the procedures performed and our findings. Our report will be addressed to the City Council and management and will be intended for use by and restricted to the use of the specified parties as identified above, except that the City may share this report with specific businesses tested and post this report online. Our report will contain such restricted-use language. Should we have any reservations with respect to the subject matter, we will discuss them with you before the report is issued. We have no responsibility to update our report for events and circumstances occurring after the date of our report.

As part of our engagement, we will request from management, written confirmation concerning representations made to us in connection with the agreed upon procedures.

Service Administration and Fees

Our fee for these services will be **\$1,200 to \$1,800** per business sampled based on 8-10 hours per business and the following hourly rates:

Engagement Partner	\$400 per hour
Associate Partner	\$350 per hour
Audit Manager	\$250 per hour
Audit Supervisor	\$200 per hour
Senior Auditor	\$150 per hour
Staff Auditor	\$125 per hour
Administrative	\$100 per hour

However, if we encounter unexpected circumstances that require us to devote more staff time to the engagement than anticipated, we will discuss the matter with you, and any additional fees required for increases in scope will be based upon the number of hours required by the staff assigned to complete the engagement.

Our invoices for these fees will be rendered as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes thirty days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. During that time, the City will have the opportunity to provide the cooperation required to complete the engagement and C&A may rescind the cancellation. If we elect to terminate our services for nonpayment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination,



even if we have not completed our report. You will be obligated to compensate us through the date of termination.

Other Matters

Sheldon Chavan is the engagement partner for the services specified in this letter. His responsibilities include supervising our services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the report.

During the course of the engagement, we may communicate with you or with your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications. We will maintain the confidentiality of your personal information and will apply procedures to protect against any unauthorized release of your personal information to third parties. We agree to retain our documentation or work papers for a period of five years from the date of our report. Unless otherwise requested in writing, we will deliver the final report via email to the City Manager and/or the Finance Director. The City is responsible for distribution of the report and for making the report available to the public.

In the event that we are or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, and if such obligation is or may be a direct or indirect result of any inaccurate or incomplete information that you provide to us during the course of this engagement, you agree to indemnify us, defend us, and hold us harmless as against such obligation.

By your signature below, you acknowledge and understand that our engagement is limited in scope and will be confined to our agreed-upon procedures. Because these procedures do not constitute an examination, we will not express an opinion on these procedures, nor the sufficiency of these procedures for your intended purpose.

This engagement letter is contractual in nature and includes all of the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

If the foregoing is in accordance with your understanding, please indicate your agreement by signing this letter via the DocuSign link or returning it via email.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.



Chavan and Associates, llp
Certified Public Accountants

Very truly yours,

C & A LLP

Sheldon Chavan, CPA, Managing Partner
Chavan & Associates, LLP

RESPONSE:

This letter correctly sets forth the understanding of City of Del Rey Oaks.

Signature:

Title:

Date: