

From: [Sheldon Chavan](#)
To: [Gitta Ungvari](#)
Subject: RE: Pages from Chavan and Associates- proposal and contract(1).pdf
Date: Monday, April 22, 2024 4:44:00 PM
Attachments: [image001.png](#)

[EXTERNAL SENDER]

Hi Gitta,

This is for Phil if you would like to share it.

Hopefully this will provide some clarity to the Council and the FC. In order to issue an opinion on the financial statements and the related opinion units, we have to test the underlying accounts and supporting records. All of this starts with the Towns Trial Balance (TB) which is the hub of the audit in terms of substantiating the numbers via the audit procedures. The financial statements and notes in the ACFR are prepared from this audited TB. This is what allows us to issue our opinions on each opinion unit contained within the ACFR.

There will be quite a bit involved in sharing the ACFR statements, word files and note disclosure schedules as these are linked to the TB in our software and much of this is created as we perform our testing. The mapping of the accounts into the ACFR is probably the most significant task. I expect that in the first year of the consultant's agreement, my team will spend as much time working with the consultant as we did preparing the ACFR itself in past years. In subsequent years, the communication between the consultant should be about half of what will be in the first year, so we can utilize that time assist the town in other attest areas instead of the nonattest services related to the ACFR.

One note, the preparation of the ACFR for Saratoga was an optional service. Thus, the original scope would not include the nonattest service and the language would have been slightly different. The financials are always audited, unless explicitly stated otherwise, so really its just technical jargon in the RFP. Unless the option was exercised, the scope would have been to review the ACFR which included the audited financials, notes, etc. Once the option was exercised, review simply became prepare.

I hope this helps clarify the process.

Thanks,
Sheldon



Chavan and Associates, LLP

Certified Public Accountants

Sheldon Chavan, CPA, Managing Partner

Chavan & Associates, LLP

15105 Concord Circle, Ste. 130, Morgan Hill, CA 95037

[REDACTED] ~ Office: 408-217-8749 ~ Fax: 408-872-4159

Skills, Knowledge and Experience

From: Phil Koen [REDACTED]
Sent: Monday, April 22, 2024 2:55 PM
To: Sheldon Chavan <Sheldon@cnallp.com>
Cc: Linda Reiners [REDACTED]; Gitta Ungvari <GUngvari@losgatosca.gov>
Subject: Pages from Chevan and Associates- proposal and contract(1).pdf

External Email: Use caution before replying, clicking links, and opening attachments.

Hello Sheldon,

At this past Tuesday's Town Council meeting, the Council discussed and agreed with the FC's recommendation made last December to separate the non-attest services as outlined in your engagement letter of March 9, 2022 from the attest services. I would encourage you to watch the discussion because it did raise in the minds of several Council members the question as to whether your firm was auditing the financial statements as opposed to auditing only the underlying accounts and supporting records. It would be helpful if you clarified for Staff and the Town Council the scope of your services, and the opinions you are expressing, so the Town Council clearly understands the work being performed.

The video of the session can be found here

- <https://securisync.intermedia.net/im/s/5qbBZ9dBlZaOnBBjSXpW91000fc297> .

My concern is, now that the Town Council has agreed with our recommendation, how do we separate the non-attest services from the attest services? Is there a way to do this in a way that doesn't add too much incremental complexity and cost to the task at hand? As you know our primary goal is to create an air gap between the preparation of the financial statements, including the footnotes and the ACFR, and the audit. The FC was focused on making sure there are no independence issues created resulting from the multiple non-attest services being provided and eliminating the need to rely on the application of the safeguards in the general requirements for performing non-attest services interpretation.

In reviewing your proposal, I noted the scope of services you are performing for the City of Saratoga include the audit and a review of the ACFR, as opposed to the preparation of the ACFR. Is that correct? If that is correct, should the Town replicate Saratoga's approach? Is that a model Staff should review?

Any advice you can provide the FC on this would be greatly appreciated. We will be taking this up at our next meeting which will be April 29.

Thank you,

Phil Koen
Chair of the FC

From: [Sheldon Chavan](#)
To: [Phil Koen](#)
Cc: [Linda Reiners](#); [Gitta Ungvari](#)
Subject: RE: Pages from Chevan and Associates- proposal and contract(1).pdf
Date: Monday, April 22, 2024 4:45:19 PM
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[EXTERNAL SENDER]

Hi Phil,

I received your email. I have sent my response to Town management.

Thanks,
Sheldon



Chavan and Associates, llp
Certified Public Accountants

Sheldon Chavan, CPA, Managing Partner

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