



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 12/06/2021

ITEM NO: 4

DATE: November 15, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Provide Comments and Recommendations Regarding the Town Council Consideration to Authorize the Town Manager to Execute a Three-Year Agreement with Chavan & Associates, LLP to Provide Auditing Services for the Town of Los Gatos in Amount Not to Exceed \$117,000

RECOMMENDATION:

Provide comments and recommendations regarding the Town Council consideration to authorize the Town Manager to execute a three-year agreement with Chavan & Associates, LLP to provide auditing services for the Town of Los Gatos in Amount Not to Exceed \$117,000.

BACKGROUND:

With the passage of Measure A, the Finance Commission has been tasked with several mandated duties as described in the provisions of the adopted Ordinance. Section 2.50.225. – Duties states that:

- (a) The Finance Commission shall:
- (9) Provide written comments and recommendations regarding the selection of auditors for the Comprehensive Annual Financial Report (now called the Annual Comprehensive Financial Report).

For the past five years, the Town's annual audits were completed by Badawi and Associates. Consistent with Governmental Accounting Standards Board best practices and State law, it is the Town's practice to solicit audit proposals every five years to ensure audit independence and competitive prices. If the Town is satisfied with the current audit firm's work, then that firm may submit a proposal but must propose with an alternate audit engagement partner.

PREPARED BY: Stephen Conway
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

PAGE 2 OF 2

SUBJECT: Authorize the Town Manager to Execute an Agreement with Chavan & Associates, LLP to provide auditing services for the Town of Los Gatos

DATE: November 15, 2021

DISCUSSION:

The Town of Los Gatos sent Requests for Proposals (RFP) to qualified independent certified public accounting firms to audit its financial statement for three fiscal years, with an option to extend the agreement an additional two fiscal years with Town Council approval. The RFP was sent to thirty-four qualified firms known to provide local government auditing services. Six firms responded with proposals: Badawi & Associates, Chavan & Associates, Eadie & Payne, Edie Baily, Maze & Associates, and R.J. Ricciardi.

A selection panel consisting of one Finance Commissioner, the Finance Director, Assistant Town Manager, Finance and Budget Manager, and Finance Accountant scored the six proposals. The firms were evaluated based on their technical expertise with local government audits, qualified personnel, and responsiveness to the RFP. These qualities were weighted at seventy percent and fees weighted at thirty percent. The cost for audit services were submitted in sealed envelopes and not opened until after the proposals were scored based on technical expertise, local government experience, and responsiveness. Based on this analysis, three firms (Chavan & Associates, Edie Baily, and Maze & Associates) were selected to participate in an interview.

Based upon the proposals, interviews and reference checks, Town staff has selected the firm of Chavan & Associates. The managing partner is Mr. Sheldon Chavan, who began his career in public accounting over 20 years ago. He is a CPA licensed in California and a member of American Institute of Certified Public Accountants (AICPA), California Society of Certified Public Accountants (CalCPA), California Society of Municipal Finance Officers (CSMFO), Governmental Audit Quality Center (GAQC), and Government Finance Officers Association (GFOA). He has also been a member of the GFOA Special Review Committee, with responsibility for reviewing Annual Comprehensive Financial Reports (ACFR) for award of the Certificate of Excellence in Financial Reporting. The firm's current audit client list includes City of Oroville, City of Saratoga, and the City of Pacific Grove amongst a list of many other California cities that are audited by Chavan and Associates.

The firm will provide the following services for the Town:

- The annual audit of the basic financial statements in accordance with Governmental Accounting Standards and preparation of the Town's Annual Comprehensive Financial Report;
- A report communicating information related to the audit to those in charge of governance (Town Council) at the conclusion of the audit;
- A management letter containing any comments or recommendations resulting from the review of systems of internal controls in connection with the financial audit;
- A Single Audit for grant funding if required under the Title 2 U.S. Code of Federal Regulations;
- Measure G district sales tax audit;

PAGE 3 OF 2

SUBJECT: Authorize the Town Manager to Execute an Agreement with Chavan & Associates, LLP to provide auditing services for the Town of Los Gatos

DATE: November 15, 2021

DISCUSSION (cont'd):

- Pension trust audit; and
- Optional services including the preparation of the annual report of financial transactions to the State Controller.

FISCAL IMPACT:

Sufficient funds for auditing services are included in the Town's proposed FY 2021/22 Operating and Capital Budget.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. Agreement to provide auditing and optional services with Chavan & Associates, LLP.