



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 08/20/2024

ITEM NO: 19

DATE: August 9, 2024
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Authorize The Town Manager to Reissue a Request for Proposal (RFP) for the Preparation of the Annual Comprehensive Financial Report (ACFR) with a Modification to Start the ACFR Preparation Services for the FY 2024/25 ACFR

RECOMMENDATION:

Authorize the Town Manager to reissue a Request for Proposal (RFP) for the Preparation of the Annual Comprehensive Financial Report (ACFR) with a modification to start the ACFR preparation services with the FY 2024/25 ACFR.

BACKGROUND:

At the December 11, 2023 Finance Commission meeting, the Commission recommended that the Town Council adopt a practice to hire a separate entity from the Town's independent audit firm to prepare the Town's ACFR. The work includes preparing the financial statements, note disclosures, supplemental information, the Management Discussion and Analysis (MD&A) template and tables, and statistical schedules that are derived from the financial statements. Currently, this work is performed by the Town's external auditor, Chavan & Associates, LLP.

External auditors provide both attest and non-attest services. Attest services are procedures that involve a certified public accountant (CPA) vouching and substantiating information provided by a client. Non-attest services are services that do not involve providing assurance on the client's financial statements. Financial statement preparation is a common non-attest service completed by the external auditor of municipalities. During the external audit, Town staff provide the independent auditors with a variety of information, including the Town's Trial Balance. The audited Trial Balance allows the independent auditor to issue opinions on the opinion units reported within the ACFR. The financial statements and notes in the ACFR are prepared from this audited Trial Balance.

PREPARED BY: Gitta Ungvari
Finance Director

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

BACKGROUND (continued):

The preparation of the Annual Comprehensive Financial Report involves the synchronization of the actual financial statements with the footnotes, supporting statistical and required supplementary data, Letter of Transmittal, and the MD&A. This is a very time intensive effort for staff and can be done more efficiently through a third party who has software dedicated for this purpose and has expertise providing ACFR preparation service to multiple local government clients. This approach is most time and cost efficient, taking advantage of economies of scale, allowing for lower cost of production, and saving staff resources for other Council priorities. While the external auditor currently prepares the ACFR for \$3,000, it was estimated that it would cost \$10,000 to \$15,000 to hire a separate firm to perform the work, though actual costs would depend on the RFP responses.

The Town Council considered the item on the April 16, 2024 meeting and authorized the Town Manager to prepare and issue a Request for Proposal (RFP) for ACFR preparation.

DISCUSSION:

Staff issued and RFP in June 2024. The RFP was posted on the Town website, sent out to the Town's available auditor services list, and posted on the California Society of Municipal Finance Officers (CSMFO) RFP website, and received only one proposal. While the proposal met the minimum qualifications, the proposed cost of the preparation services was \$43,000, higher than the \$39,000 the Town is currently paying for its entire annual audit services including the ACFR preparation.

It is possible that this premium pricing may be a matter of timing as many firms likely already have a full workload of clients this year. Staff believes it will have better success finding a qualified consultant starting with the FY 2024/25 ACFR preparation, when adequate time is given to potential consultants to include the requested services in their annual workplan. As this is not a common practice in local government, staff will continue its efforts to promote the reissued RFP to find qualified consultants to assist with the completion of the ACFR.

In the meantime, staff is continuing its work with the Town's external auditor, Chavan & Associates, LLP.

CONCLUSION:

Authorize the Town Manger to reissue a Request for Proposal (RFP) for the Preparation of the Annual Comprehensive Financial Report (ACFR) with a modification starting the ACFR preparation services for the FY 2024/25 ACFR.

PAGE 3 OF 3

SUBJECT: Reissue RFP for ACFR Preparation Services

DATE: August 09, 2024

FISCAL IMPACT:

If Council authorizes staff to reissue the RFP for ACFR services, any additional cost beyond using the current external auditor (Chavan & Associates, LLP) will be included in the Proposed FY 2025/26 Operating Budget. The current proposal was \$43,000 for the FY 2023/24 ACFR preparation services. The cost of the FY 2024/25 ACFR preparation services is pending results of the reissued RFP submittals.

ENVIRONMENTAL ASSESSMENT:

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