



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 9/14/2026

ITEM NO: 5

DATE: September 14, 2026
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review the Agreement with Badawi & Associates to Provide Auditing Services for the Town of Los Gatos and Provide Comments or Recommendations for the Town Council's Consideration

RECOMMENDATION:

Review the agreement with Badawi & Associates to provide auditing services for the Town of Los Gatos and provide comments or recommendations for the Town Council's Consideration.

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 Chavan 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.

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

PREPARED BY: Eric Lemon
Finance & Accounting Manager

Reviewed by: Town Manager, and Administrative Services Director

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sent to thirty-seven qualified firms known to provide local government auditing services. Five firms responded with proposals.

The initial scoring panel consisted of the Administrative Services Director, Finance and Accounting Manager, Senior Administrative Analyst, and Accountant / Finance Analyst. The firms were evaluated based on their technical expertise with local government audits, qualified personnel, and responsiveness to the RFP. The top three proposals were moved forward in the evaluation process, and they had dollar cost bids that were comparable. They were Badawi & Associates, Eide Bailly, and Vasquez & Company.

The interview selection panel consisted of one Finance Commissioner, the Administrative Services Director, and the Finance and Accounting Manager. The firms were ranked based on their answers to the questions. Based upon the proposals and interviews, Town staff selected the firm of Badawi & Associates.

The managing partner at Badawi & Associates is Mr. Ahmed Badawi, who has over 25 years of municipal audit experience with a special focus on cities. He is a licensed CPA in California and is a member of the Government Accounting and Auditing Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous Town, county and special district governments, as well as non-profit entities. The firm's client list, close to the Town of Los Gatos, includes Mountain View, Scotts Valley, Foster City, and Millbrae.

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 Agreed-upon Procedures;
- GANN Limit Agreed Upon Procedures; and
- Optional, and additional services, include the preparation of the annual report of financial transactions to the State Controller, TDA Audit, and Annual Street Report Preparation.

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FISCAL IMPACT:

Sufficient funds for auditing services are included in the Town's proposed FY 2026/27 Operating and Capital Budget.

Attachment:

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