



R-24-64  
Meeting 24-14  
May 22, 2024

**AGENDA ITEM 4**

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One Year Contract Extension with Chavan & Associates for Financial Auditing Services

**CONTROLLER'S RECOMMENDATION**

Approve a one-year contract extension with Chavan & Associates to serve as the financial auditor for Fiscal Year 2023-24 for a not-to-exceed amount of \$30,500.

**DISCUSSION**

Chavan & Associates has been the auditor for Midpeninsula Regional Open Space District (District) since 2014. The District selected Chavan from a competitive process in 2014 and again selected Chavan in 2019 following another competitive process. When the second three-year contract ended in 2021, management recommended and the Board agreed to extend Chavan for two additional years, due to its excellent record of service and in light of both the pandemic disruptions and the District's transition to a new financial system.

Staff recommends an additional one-year extension of Chavan for the Fiscal Year 2023-24 (FY24) audit at a cost not-to-exceed \$30,500 and commits to a competitive request for proposal process for the FY25 audit. While this represents a notable 12% increase over the \$27,165 audit fees of FY23, it is not surprising given the severe shortage of accountants and increasing regulatory scrutiny of audit reports. The quoted fee for FY24 represents just a 5% compounded annual increase from FY19, so there is a bit of catch-up in the quote.

Staff's rationale for extending Chavan for one additional year is as follows:

- The services have been fully satisfactory over the last eight years. Chavan has guided the District on evolving accounting issues and inquiries related to operational growth, Measure AA expenditure tracking, and participation in the Government Finance Officers Association (GFOA) financial reporting award program.
- Chavan has consistently provided timely responses to staff (within 24 hours) for questions and emails.
- Chavan has moved a large portion of the audit testing to an electronic environment, providing greater efficiency during the audit process.
- The migration to the new financial system took much longer than anticipated. Staff has worked diligently on merging financial processes with the new financial system. In addition, the majority of the Finance staff are new, therefore, continuity with Chavan is critical, especially given Chavan's in-depth knowledge of the District's financial processes.

- Government Code section 12410.6 (b) provides that, commencing with the 2013-14 fiscal year, a local agency shall not employ an audit firm if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for six consecutive fiscal years. This rotation requirement ensures objectivity and consistent quality of audit engagements. Both Chavan and the District have monitored the rotation of the engagement partner to ensure compliance as follows:

<u>Fiscal Year</u>	<u>Engagement Partner</u>
FY14 - FY19	Sheldon Chavan
FY20	Jeff Ira
FY21	Paul Pham
FY22	Paul Pham
FY23	Paul Pham

For these reasons, the Controller recommends appointing Chavan & Associates as the District’s external auditor for FY24, for a total contract amount not to exceed \$30,500.

**PRIOR BOARD OR COMMITTEE REVIEW**

None

**FISCAL IMPACT**

The District’s required financial audit is an ongoing, annual cost. The proposed amount of \$30,500 is included in the Administration Department’s FY25 Proposed Operating Budget.

**PUBLIC NOTICE**

Notice was provided pursuant to the Brown Act. No additional notice is necessary.

**CEQA COMPLIANCE**

No compliance is required as this action is not a project under CEQA.

**NEXT STEPS**

If approved by the Board, the General Manager will execute an agreement with Chavan & Associates for audit services.

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