



THE PORT  
OF LOS ANGELES  
Executive Director's  
Report to the

Board of Harbor Commissioners

**DATE: JULY 5, 2016**

**FROM: ACCOUNTING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - PERSONAL SERVICES AGREEMENT  
BETWEEN MACIAS GINI & O'CONNELL LLP AND THE CITY OF LOS  
ANGELES HARBOR DEPARTMENT**

**SUMMARY:**

Staff requests approval of an agreement with Macias Gini & O'Connell LLP (MGO), independent certified public accountants headquartered in Los Angeles, California, to perform annual financial statement audits and single audits of the City of Los Angeles Harbor Department (Harbor Department). In addition, the auditors will perform other financial auditing services, including the audit of the financial statements of Los Angeles Harbor Improvement Corporation (LAHIC) and upon request, provide expert accounting opinions regarding significant accounting policies. The proposed Agreement is for a one-year term with two one-year options to renew and a not-to-exceed amount of \$371,757 over a three-year period. The Harbor Department is financially responsible for all expenses incurred under the proposed agreement.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II, Section 2(f), of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Find that in accordance with City of Los Angeles Charter Section 1022, the services under the subject professional services agreement are of a professional, expert, and technical nature, which can only be performed by an independent, licensed certified public accounting firm;
3. Approve the Agreement with Macias Gini O'Connell LLP for a not-to-exceed amount of \$371,757 over a three-year period, which consists of a one-year term with two one-year options to renew;
4. Authorize the Executive Director or designee to execute the Agreement and the Board Secretary to attest to the Agreement; and
5. Adopt Resolution No. \_\_\_\_\_.

**SUBJECT: AGREEMENT WITH MACIAS GINI & O'CONNELL LLP****DISCUSSION:**

Background/Context - In accordance with Section 362 of the City Charter, an independent certified public accounting firm must annually audit the financial position, revenues and expenditures of the Harbor Department. A variety of stakeholders, including the City of Los Angeles (City), investors, credit rating agencies, and the general public, rely on such statements to help assess and validate the financial health of the Harbor Department.

The independent audit firm will conduct a financial audit of the Harbor Department. The auditors, in carrying out this function, will conclude each fiscal year audit with a written opinion. The opinion will state as to whether the financial statements provided by the Harbor Department present fairly, in all material respects, its financial position, the changes in its financial position, and its cash flows for and as of a fiscal year end date in conformity with generally accepted accounting principles as practiced in the United States. In accordance with Government Auditing Standards, the audit firm will issue a report on their consideration of the Harbor Department's internal control over financial reporting. The internal control report describes the scope that the auditors established in order to test such controls over financial reporting and compliance with provisions of laws, regulations, contracts, and grant agreements. Further, the auditors express an independent opinion on the Harbor Department's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement, called a "Single Audit" that are applicable to its major federal programs.

Selection Process – On April 4, 2016, the Harbor Department issued a Request for Proposals (RFP) for financial auditing services. The RFP was posted on the Port of Los Angeles' website and the Los Angeles Business Assistance Virtual Network. Seven audit firms submitted proposals, but two firms did not comply with the administrative requirements specified in the RFP and, as a result, the audit firms were deemed non-responsive. The list of five proposers is included in Transmittal No. 1.

A five-member evaluation committee reviewed the submitted proposals. The committee comprised of four persons from the Harbor Department, representing the Accounting Division, the Management Audit Division, the Financial Management Division, the Deputy Executive Director and Chief Financial Officer, and the Director of Finance and Treasurer from the City of Seal Beach. The evaluation committee reviewed and scored the proposals based on the following five weighted criteria: 1) firm qualifications, experience and references; 2) project organization, personnel and staffing; 3) project approach, work plan, management and timeline; 4) rates, fees, and budget control; and 5) clarity and comprehensiveness of the proposal (Transmittal 2). The review panel selected MGO based upon the final total composite score in accordance with the evaluation criteria stated above. Transmittal 3 shows the final composite scores.

Small Business Enterprise and Local Business Enterprise Preference Programs - MGO is an Other Business Enterprise. This contract opportunity was also eligible for the Local Business Enterprise Preference Program which provides for an eight percent (8%)

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preference for qualifying Local Business Enterprises (LBE). MGO, located in Los Angeles County, is a qualified Local Business Enterprise (LBE). Four out of five responsive proposals qualified for the 8% preference for LBEs.

Scope of Work - The scope of work covered in the Agreement with MGO includes, but is not limited to, performing: (a) basic financial statement audits for the Harbor Department, LAHIC, and work related to the inclusion of the Harbor Department's component unit financial statements in the City's comprehensive annual financial report; (b) single audit(s) of the Harbor Department's grant programs with auditor's report on the Schedule of Expenditures of Federal Awards as well as the reports on the internal control structure and compliance; and (c) debt issuance services or to issue "consent" and/or "comfort" letters if requested by the Harbor Department's financial advisor and/or the underwriter in connection with the sale of debt securities. The proposed Agreement is included as Transmittal No. 4.

Anticipated Cost - Provisions of the proposed Agreement with MGO include a one-year term with two one-year renewal options and provides for a not-to-exceed compensation amount of \$371,757 over the three-year period. It is expected that the proposed appropriations for the audit and related services will be as follows:

<b>Fiscal Year</b>	<b>Proposed Annual Not-to-Exceed Amount</b>
2015/2016	\$120,433
2016/2017	\$123,919
2017/2018	\$127,405
<b>Total</b>	<b>\$371,757</b>

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a professional services agreement with a licensed and certified public accounting firm to perform financial audits of the Harbor Department. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II, Section 2(f) of the City of Los Angeles CEQA Guidelines.

**FINANCIAL IMPACT:**

The total cost impact of this proposed Agreement will not exceed \$371,757 over a three-year period if this action is approved by the Board. Average annual expenditures over the past three fiscal years with the Harbor Department's current auditor have totaled approximately \$332,000.

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The budget for fiscal year 2016-2017 includes \$115,000 for this proposed action in Account 54420, Work Order 000000, under Division Number 0630 and Job Facility 000000, Program 000. A funding out clause is included in the proposed Agreement.

**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved the Agreement as to form and legality.

**TRANSMITTALS:**

1. List of Proposers
2. RFP Selection Evaluation Form
3. Final Composite Scores for Proposers
4. Agreement with MGO

FIS Approval: MB (initials)

CA Approval: me (initials)

*Marla Bleavins*

MARLA BLEAVINS  
Deputy Executive Director &  
Chief Financial Officer

APPROVED:

*Mark Bleavin*

FOR

EUGENE D. SEROKA  
Executive Director

MB/SS  
Author: S. Shah