



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

Board of Harbor Commissioners

**DATE: MAY 28, 2014**

**FROM: INFORMATION TECHNOLOGY**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - FIRST AMENDMENT TO AGREEMENT NO. 13-3188 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND ACCUVANT, INC. FOR A CYBER SECURITY OPERATIONS CENTER**

**SUMMARY:**

The Information Technology (IT) Division is requesting approval of the First Amendment to Agreement No. 13-3188 with Accuvant, Inc. (Accuvant) for the second and final phase of a Cyber Security Operations Center (CSOC). The CSOC, located on the second floor of the Harbor Administration Building, will be equipped with hardware and software that will serve a critical role in reducing the cyber risks to the City of Los Angeles Harbor Department (Harbor Department).

The proposed First Amendment will increase the amount of Agreement No. 13-3188 by \$2,000,000, up to a total of \$4,149,814, and extend the term by one additional year, up to a total of two years. The Port Security Grant Program (PSGP) 2013, which the Board of Harbor Commissioners (Board) accepted at its November 7, 2013 meeting, will reimburse the Harbor Department \$1,500,000 of the First Amendment. The Harbor Department will pay for the remaining \$500,000 because the PSGP grant requires the grantee to pay a 25 percent cost-share. The CSOC Phase II is anticipated to begin in August 2014 and will be completed before the PSGP 2013 grant expiration date of August 31, 2015. The total budget for the CSOC Phase II project, which includes the proposed First Amendment and \$364,000 for the cost of existing employees assigned to the project, is \$2,364,000.

The selection of Accuvant for Agreement No. 13-3188 was based on a competitive Request for Proposal (RFP) process performed by the Harbor Department. The RFP and Agreement contemplated both Phase I and Phase II. Accuvant is headquartered in Denver, Colorado, with services from its local office in El Segundo, California.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Find that in accordance with the Los Angeles City Charter Section 1022, the work under the subject agreement can be performed more feasibly by independent contractors than by City employees;

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2. Approve the First Amendment to Agreement No. 13-3188 with Accuvant, Inc. which increases the total, not-to-exceed amount of the Agreement to \$4,149,814 and an increased term of an additional one (1) year;
3. Authorize the Executive Director to execute and the Board Secretary to attest to Agreement No. 13-3188 as amended; and
4. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background/Context – Cyber security is a significant concern because of the potential disruption that an attack could have on operations at the Port of Los Angeles and potentially wider impacts to the economy. Possible attacks include a denial-of-service attack that could make the computer systems inaccessible, a data breach that could compromise sensitive or confidential information, a computer virus outbreak that could cause computer system damage, or an attack from an insider with access to the systems. These incidents would be costly and embarrassing to the Harbor Department.

The IT and Port Police Divisions have been working together to address the rapidly growing cyber threats. In the area of cyber security, the IT Division is primarily responsible for the technical protection of the Harbor Department's computer systems, including prevention and detection of breaches, and restoration of systems. The Port Police Division's responsibilities include physical security, post-attack investigations, and coordination with other entities in the Port of Los Angeles Complex. The Port Police Division has reviewed this report and concurs with its recommendation.

The CSOC, located on the second floor of the Harbor Administration Building, will be equipped with hardware and software that the IT Division staff will use as a centralized location to proactively monitor computer network traffic to prevent and detect cyber incidents. If an attack does occur, the CSOC will be used to contain the damage to the Harbor Department's computer systems and collect information that can be turned over to the Port Police Division for investigation.

The CSOC was planned to be completed in two phases. The RFP documentation and Agreement No. 13-3188 state that the consultant would be asked to complete Phase II work upon the favorable evaluation and successful completion of Phase I work and contingent upon the Harbor Department receiving grant funds.

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Phase I – At its November 7, 2013 meeting, the Board approved Agreement No. 13-3188 for the CSOC Phase I project. The Phase I scope is for the tools to provide monitoring and protection of the Harbor Department's internal network. It includes tools for incident and threat management, intrusion detection/prevention, security monitoring, digital forensics, malware analysis and advanced persistent threat defense, network access control, and network traffic visibility and aggregation. The total cost of CSOC Phase I is \$2,564,000, of which \$2,200,000 is for outside services costs and \$364,000 is for salaries and benefits of existing employees. Of this Phase I amount, \$1,650,000 will be reimbursed from the PSGP 2012 grant.

Phase I is anticipated to be completed on schedule in August 2014 and within budget. A preliminary, informal evaluation of Accuvant's progress on Phase I indicates that the consultant is currently meeting the IT Division's performance expectations.

Phase II – The proposed First Amendment for Phase II will complete the CSOC (Transmittal 1). The scope of Phase II is for the completion of the build-out of the CSOC, staff training to fully utilize the CSOC's capabilities, additional tools for analytics and collaboration, and addressing new threats and industry guidelines. The descriptions and approximate costs of Phase II deliverables are:

- Cyber Security Operations Center build-out (\$160,000): This is to complete the construction of the CSOC facility, including the audio/visual system, monitors, furniture consoles, and related equipment that are designed for a CSOC.
- Knowledge Transfer and Training (\$870,000) – The majority of the cost of Phase II is for knowledge transfer and training for IT Division staff so that the CSOC's capabilities can be fully utilized. Most training will be for the IT Security and Network Section staff that will be operating the CSOC, but training will also be for other technical staff that have cyber security related responsibilities. The knowledge transfer and training will be accomplished through multiple methods, including consultants working side-by-side with IT Division staff to provide hands-on knowledge transfer for the newly installed technologies, classroom and on-line training, and cyber security conferences and seminars. These knowledge transfer and training services will accelerate the learning curve and more quickly maximize the use of the tools, thereby more quickly reducing the risk exposure. These services will also enable IT Division staff to keep abreast of new and evolving threats. No additional staff is contemplated.
- Additional Cyber Security Capabilities (\$265,000) – This is for additional hardware and software tools for collaboration and threat intelligence capabilities. While Phase I tools were more focused on internal monitoring and protection, the Phase II tools will facilitate information sharing and analysis, which is consistent with the activities of the City of Los Angeles' Cyber Incident Command Center in support of the Mayor's Executive Directive No. 2.

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- Cyber Security Framework implementation (\$250,000) – The National Institute of Standards and Technologies (NIST) Framework for Improving Critical Infrastructure Cyber Security was released on February 12, 2014. Phase II includes services to evaluate and implement relevant criteria, processes and standards from NIST and other frameworks. Implementing the framework is an essential process component for the effective operation of the CSOC.
- Extended Warranties (\$200,000) – This is for extended manufacturer support and maintenance of the hardware and software. This is necessary for the Harbor Department to be able to continue to use the tools per license requirements.
- Cyber Security Assessment (\$65,000) – This is for services to conduct a cyber security assessment to identify new vulnerabilities. Best practice is to conduct cyber security assessments on an annual basis because the cyber threats are constantly evolving.
- Additional Hardware and Software for New Threats (\$190,000) – Based on the findings of the Cyber Security Assessment, this will be for as-needed hardware and software to mitigate the new threats.

The proposed First Amendment increases the amount of Agreement No. 13-3188 by \$2,000,000, up to a total of \$4,149,814, and extends the term by one additional year, up to a total of two years.

The total cost of the CSOC Phase II project is \$2,364,000, which includes \$2,000,000 for the proposed First Amendment and \$364,000 for salaries and benefits of existing employees. Of this amount, \$1,500,000 will be reimbursed from the PSGP 2013 grant that the Board accepted at its November 7, 2013 meeting.

The CSOC Phase II project is anticipated to begin in August 2014 and will be completed before the PSGP 2013 grant expiration date of August 31, 2015. In order to meet the grant deadline, order equipment and retain the same consultant team, Phase II must begin immediately upon satisfactory completion of Phase I.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a First Amendment to Agreement No. 13-3188 with Accuvant to implement Phase II of the CSOC. 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) in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

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**ECONOMIC BENEFITS:**

Spending under the proposed Agreement will support 7 direct and 10 secondary one-year equivalent jobs for the five-county region.

**FINANCIAL IMPACT:**

The proposed CSOC Phase II project baseline cost is \$2,364,000, of which \$2,000,000 is for outside services and \$364,000 is for internal labor. Of the \$2,000,000 in outside services, \$1,500,000 will be reimbursed through the PSGP 2013 and \$500,000 will be paid by the Harbor Department for the required 25 percent cost share of the outside services costs. The \$364,000 for internal labor is for salaries and benefits of existing employees that will be working on this project.

Funds in the amount of \$2,364,000 have been budgeted in the annual Capital Improvement Program budget process under Work Order 25260, Center 1179, Program 624, Job 635-00, Account 54310. Upon Board approval, funding for fiscal year 2015/2016 will be budgeted as shown in the table below.

Phase II (proposed)	FY 14/15	FY 15/16	TOTAL
First Amendment	\$ 2,000,000		\$ 2,000,000
Existing Employees	\$ 247,184	\$ 116,816	\$ 364,000
<b>TOTALS</b>	<b>\$ 2,247,184</b>	<b>\$ 116,816</b>	<b>\$2,364,000</b>

A Termination for Non-Appropriation of Funds Clause (also known as a Funding Out Clause) is included in the Agreement.

The project will be completed by the PSGP 2013 grant expiration date of August 31, 2015. The project will be managed by the IT Division.

Office spaces for up to four consultants will be used within the space reserved for the IT Division. Staff will not be displaced. These four office spaces will be needed for the additional one-year duration of the proposed First Amendment.

This project includes eliminating old equipment and systems, which will offset the maintenance costs of the new equipment. The majority of the on-going maintenance costs are anticipated to be covered under the 3-year warranty of the purchases under this project. After that time, the on-going maintenance costs are estimated to be \$50,000 per year.

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**CITY ATTORNEY:**

The City Attorney has prepared and approved the First Amendment to Agreement No. 13-3188 with Accuvant as to form and legality.

**TRANSMITTALS:**

1. First Amendment to Agreement No. 13-3188 with Accuvant, Inc.

FIS Approval: AB (initials)  
CA Approval: AB (initials)



LANCE KANESHIRO  
Chief Information Officer



for MOLLY CAMPBELL  
Deputy Executive Director

APPROVED:



GARY LEE MOORE, P.E.  
Interim Executive Director

LK/tl  
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