



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: MARCH 22, 2023**

**FROM: INTERNAL AUDIT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ APPROVAL OF PERSONAL SERVICES AGREEMENTS WITH ARROYO SECO ASSOCIATES, INC.; BCA WATSON RICE LLP; BRONNER GROUP LLC; MATRIX CONSULTING GROUP, LTD.; AND SJOBERG EVASHENK CONSULTING FOR AS-NEEDED AUDIT AND CONSULTING SERVICES**

**SUMMARY:**

Staff requests approval of five personal services agreements with the following audit consultants (collectively, "the Audit Consultants"): (i) Arroyo Seco Associates, Inc. (Arroyo Seco); (ii) BCA Watson Rice LLP (BCA); (iii) Bronner Group LLC (Bronner); (iv) Matrix Consulting Group, Ltd. (Matrix); and (v) Sjoberg Evashenk Consulting (Sjoberg). Each of the proposed Agreements would be for a three-year term with a total aggregate not-to-exceed amount of \$540,000 across the pool of five Agreements.

The Agreements are required at this time as the prior audit pool consultant agreements expired in August 2022. The Harbor Department continues to require assistance with management, compliance and performance audits as well as operational reviews on an as-needed basis. The Harbor Department will be financially responsible for the payment of expenses incurred under the proposed Agreements.

**RECOMMENDATION:**

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

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;

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2. Approve the proposed Personal Service Agreements (Agreements) for a term of three-years each, for the combined total not-to-exceed amount of \$540,000 to the following firms, to be allocated based on Task Order awards:
  - a. Arroyo Seco Associates, Inc.;
  - b. BCA Watson Rice LLP;
  - c. Bronner Group LLC;
  - d. Matrix Consulting Group, Ltd.; and
  - e. Sjoberg Evashenk Consulting;
3. Authorize the Executive Director or designee to approve Task Orders on a per project basis, contingent upon verification of available funding, as adopted by the Board for each budget year, not to exceed an aggregate amount of \$540,000 in total compensation authority among the pool list over the contract period;
4. Authorize the Executive Director to execute and the Board Secretary to attest to said Agreements for and on behalf of the Board; and
5. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background/Context - In 2008, the Board recognized the need to establish an Internal Audit (Audit) function to review its operations, to focus on identifying opportunities for increased operational efficiencies, revenue enhancement, cost reduction, and/or process improvements, including internal controls. In order to accomplish the Harbor Department's audit objectives, which in turn support the Harbor's strategic goal of strengthening financial performance by advancing process and financial controls, independent audit and consulting firms will augment City staff on an on-call basis. In order to expedite the commencement of audits to meet Departmental needs and to minimize the administrative burden of contracting, a pool of firms is being proposed, rather than drafting individual contracts every time an audit need is identified. The concept of a pool of firms has been used extensively by other Harbor Department divisions, as well as the Office of the Controller and Los Angeles World Airports (LAWA).

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The proposed agreements (Transmittals 1-5) will establish a contractual relationship with each firm for three years and define the general scope of possible audit and review work that may be undertaken. The Harbor Department does not guarantee any audit or review work will be awarded under these Agreements to any of the pool firms. Further, staff anticipates that the total aggregate compensation will not exceed \$540,000 during the life of this new three-year consultant pool. The prior Harbor audit pool of 12 firms operated from 2017-2022, during that time, eight firms performed audits on the payroll function, accounts receivable function, accounts payable function, operating agreements with a railroad line and parking operations and some permit compliance audits. Total spending authority during that time was \$1,130,000, and actual expenditures paid to the pool of audit consultants totaled \$671,004 (59%). By year, expenditures were \$158,961 in FY17-18, \$93,043 in FY18-19, \$105,000 in FY19-20, \$179,000 during FY20-21, and \$135,000 during FY21-22.

Due to the variety and timing of work considered by Audit, all work contracted to pool firms will be initiated and budgeted under Task Orders, issued under these Agreements, which will define the scope of work, maximum cost, schedule, terms of payment, deliverables, work site, personnel or sub-consultants to be utilized, and other pertinent task details. All Task Orders will be established as part of the Audit budget for outside services. To manage and contain the cost of each project appropriately, individual audits and reviews during the next three years will each be approved by the Executive Director or designee and auditors will only be compensated for work completed.

Services to Be Performed - The independent auditors and consultants may provide on-call, as-needed audit and consulting services. These services include, but are not limited to: providing performance and operational reviews, contract compliance services, management assessments and reviews, and staffing reviews; developing information-gathering strategies and tools; analyzing and interpreting the results of data-gathering and ensuring that all data collected supports audit conclusions; and providing written reports for any audit, review, procedure, or other related services provided to the Harbor Department. These services are of a limited duration, require specialized knowledge and expertise, and necessitate flexibility to accommodate task requirements. As mentioned above, the scope of work for each audit or review will be defined by a Task Order.

Firm Selection - On September 7, 2022, the Request for Qualifications (RFQ) was posted on the Port's website and the City's Business Assistance Virtual Network (BAVN). Nine firms submitted Statements of Qualifications (SOQs) by the September 28th deadline (Transmittal No. 6). However, two firms did not agree to the contract terms and one firm withdrew their submission. Six firms were evaluated by the selection committee, and two of these evaluated firms were not members of the previous audit pool from the contracts that expired in August 2022.

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Staff utilized the RFQ Selection Evaluation Form (Transmittal No. 7) to evaluate each consultant's SOQ and firms were ranked by their total composite scores consisting of the following criteria and weighting factors: firm qualifications and experience (15%); project organization, personnel and staffing (25%); project approach, work plan and management (25%); rates, fees, and budget control (20%); and clarity and comprehensiveness of the SOQ (15%).

The selection committee consisted of two evaluators from the Harbor Department, as well as one evaluator from the Finance team at LAWA. Each SOQ was evaluated and ranked independently by each evaluator (Transmittal No. 8). Based on the committee's SOQ evaluations, the committee recommends Board approval of five (5) Agreements between the Harbor Department and the selected firms. These firms represent the most highly-ranked respondents and provide a sufficient variety of industry knowledge from which to choose. One respondent firm scored significantly below the other five, so a contract is not being pursued with them. Four of the five selected firms were members of the previous audit pool, as the one evaluated firm that was not selected was a new proposer. The table below lists the selected pool firms, including a summary of some of the specialty competencies they reported in their SOQs:

	Firm Name	Info. Tech.	Financial	Real Estate	Bench-marking	Constr. & Engineering
1	Arroyo Seco Associates, Inc.	X	X		X	
2	BCA Watson Rice, LLP	X	X	X	X	X
3	Bronner Group LLC	X	X	X	X	X
4	Matrix Consulting Group, Ltd. (NEW)	X	X	X	X	X
5	Sjoberg Evashenk Consulting	X	X	X	X	X

Also, staff believes this pool size will be sufficient to ensure firms will be available when projects are identified.

As individual audit topics are identified, an assessment will be made whether to use internal City staff or consultants. In the latter case, a Task Order, which specifies the project details will be distributed to audit consultant pool firms to invite them to bid on the job. Bid respondents will be evaluated in a competitive process by a selection committee who will make the firm selection based on criteria including firm qualifications and specialties, staff availability, approach/work plan, and rates. Funds will be encumbered for Task Order's scope of work, under the selected firm's contract, administered by the Internal Audit Division under its fiscal year budget.

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**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of five Agreements to perform management, compliance and performance audits, and reviews of staff operations on an as-needed basis, which is an administrative action. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the proposed Agreements will enable the Harbor Department to retain as-needed services of the Audit Consultants over a three-year period for an aggregate amount not-to-exceed \$540,000 across the five Agreements. Spending under the proposed Agreements is anticipated to occur as follows:

<b>Fiscal Year</b>	<b>\$ Amount</b>
2022/23	\$ 30,000
2023/24	\$180,000
2024/25	\$180,000
2025/26	\$150,000
<b>Total</b>	<b>\$540,000</b>

Fiscal Year 2022/23 funding in the amount of \$30,000 is available within Center 0570, Count 54420 (Audit Fees & Service), Program 000. Future fiscal year funds will be requested through the Harbor Department's annual budgeting process, and budgeted upon Board approval. The Harbor Department's financial obligations after the current fiscal year are contingent upon the Board's appropriation of funds. A funding out clause is included in each proposed Agreement.

**CITY ATTORNEY:**

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

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**TRANSMITTALS:**

1. Agreement between the City of Los Angeles and Arroyo Seco Associates, Inc.
2. Agreement between the City of Los Angeles and BCA Watson Rice LLP
3. Agreement between the City of Los Angeles and Bronner Group, LLC
4. Agreement between the City of Los Angeles and Matrix Consulting Group, Ltd.
5. Agreement between the City of Los Angeles and Sjoberg Evashenk Consulting
6. RFQ Performance Audit and Consulting Service without Exhibits
7. RFQ Selection Committee Results and Composite Ranking Scores
8. RFQ Selection Evaluation Form

FIS Approval: MB  
CA Approval: [Signature]



BARBARA J. STEELMAN  
Director of Internal Audit



MARLA BLEAVINS  
Deputy Executive Director  
Chief Financial Officer

APPROVED:

 For

EUGENE D. SEROKA  
Executive Director

BJS:bjs  
Author: Internal Audit