

DATE: MARCH 20, 2024

FROM: ACCOUNTING

SUBJECT: RESOLUTION NO. _____ - FIRST AMENDMENT TO AGREEMENT NO. 21-9820 BETWEEN MOSS ADAMS LLP AND THE CITY OF LOS ANGELES HARBOR DEPARTMENT FOR FINANCIAL AUDITING AND RELATED SERVICES

SUMMARY:

Staff requests approval of the First Amendment to Agreement No. 21-9820 with Moss Adams LLP (Moss Adams) to extend the term of the agreement by two (2) years, for a total Agreement term of five (5) years and increase compensation by \$323,000 from \$404,900 currently to \$727,900 as proposed.

Moss Adams, a firm of independent certified public accountants, performs the annual audit of the Annual Comprehensive Financial Report (ACFR) and annual single audit of Federal major awards of the City of Los Angeles Harbor Department (Harbor Department). In addition, Moss Adams performs the annual financial statement audit of the Los Angeles Harbor Improvement Corporation (LAHIC) and, upon request, provides expert accounting opinions regarding significant accounting policies and other financial auditing services.

The Harbor Department will continue to be financially responsible for the payment of expenses incurred under the Agreement.

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;
2. Find that in accordance with City of Los Angeles Charter Section 1022, the proposed services are of a professional, expert, and technical nature, which can only be performed by an independent, licensed certified public accounting firm;
3. Approve the proposed First Amendment to Agreement No. 21-9820 with Moss Adams LLP to extend the term for two (2) additional years and increase compensation under Agreement No. 21-9820 by \$323,000, including related expenses;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed First Amendment to Agreement No. 21-9820 for and on behalf of the Board; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context - In accordance with Section 362 of the City Charter, the income and expenditures of the Harbor Department are required to be audited by an independent firm of certified public accountants. As a component unit of the City, the Harbor Department's financial statements are included in the basic financial statements of the City. The City's financial auditors rely on the report from the Harbor Department's financial auditors for purposes of expressing an opinion on the City's basic financial statements. Currently, the Harbor Department has a contract with Moss Adams for financial auditing services under Agreement No. 21-9820. The contract was the result of a Request for Proposals (RFP) for financial auditing services in which Moss Adams was selected based upon the final total composite score in accordance with the evaluation criteria. This three-year Agreement commenced on August 18, 2021, and expires on August 18, 2024. The proposed First Amendment (Transmittal 1) will extend the term of Agreement No. 21-9820 (Transmittal 2) for two (2) additional years for the period August 19, 2024, through August 19, 2026, and increase compensation by \$323,000. Under the proposed First Amendment, Moss Adams will be responsible for performing the Harbor Department's financial and single audits, and the financial audit of the LAHIC, for the fiscal years ending June 30, 2024, and 2025.

Audit Objective - The objective of an independent financial audit of the Harbor Department's financial statements is to enable the auditors to express their opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Harbor Department as of the fiscal year end date and the changes in its financial position and cash flows for the fiscal year in conformance with U.S. Generally Accepted Accounting Principles. In accordance with Government Auditing Standards, the auditors also issue a report on their consideration of the Harbor Department's internal controls over financial reporting. The purpose of this report is to describe the scope of the auditors' testing of internal controls over financial reporting and compliance with provisions of laws, regulations, contracts, grant agreements, and the results of that testing. The report is not intended to provide an opinion on the effectiveness of internal controls over financial reporting or on compliance. 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 Compliance Supplement that are applicable to major federal grant programs.

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Scope of Work - The Scope of Work will remain the same under the proposed First Amendment. The scope of work covered in Agreement No. 21-9820 with Moss Adams 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 of the Harbor Department's grant programs with an auditor's report on the Schedule of Expenditures of Federal Awards as well as 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.

Anticipated Cost - Compensation to be received by Moss Adams is presented within the proposed First Amendment and provides for a not-to-exceed amount of \$323,000 over two years. The current fiscal year's spending for this agreement is \$140,600. The proposed appropriations for the next two fiscal years under the proposed First Amendment have been increased by 10% annually due to cost-of-living adjustments.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the First Amendment to Agreement No. 21-9820 with Moss Adams, which is an administrative activity. 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 First Amendment will extend the Agreement by two years and increase compensation by \$323,000 from \$404,900 currently to \$727,900 as proposed for external auditing services with spending anticipated to occur as follows:

Fiscal Year	Amount
Prior Years	\$ 264,300
2024	\$ 140,600
2025	\$ 154,000
2026	\$ 169,000
Total	\$ 727,900

Fiscal Year (FY) 2024 funding in the amount of \$140,600 has been budgeted, and FY 2025 funding in the amount of \$154,000 has been requested to be budgeted within

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Account 54420 (Audit Fees and Services), Center 0630, Program 000, pending Board approval. A funding out clause is included in the Agreement.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the First Amendment to Agreement No. 21-9820 as to form and legality.

TRANSMITTALS:

1. First Amendment to Agreement No. 21-9820
2. Agreement No. 21-9820

FIS Approval: MB (initials)
CA Approval: SO (initials)


Digitally signed by Frank
Liu
Date: 2024.03.28
12:28:14 -07'00'
FRANK LIU
Director of Accounting


Marla Bleavins
MARLA BLEAVINS
Deputy Executive Director and
Chief Financial Officer

APPROVED:


EUGENE D. SEROKA *FOR*
Executive Director

MB/FL
Author: L. Hillyer