



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the

Board of Harbor Commissioners

DATE: JULY 21, 2021

FROM: ACCOUNTING

**SUBJECT: RESOLUTION NO. _____ - APPROVAL OF AGREEMENT
BETWEEN MOSS ADAMS LLP AND THE CITY OF LOS ANGELES
HARBOR DEPARTMENT FOR FINANCIAL AUDITING SERVICES**

SUMMARY:

Staff requests approval of an agreement with Moss Adams LLP (Moss Adams), 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 three-year period not-to-exceed the amount of \$404,900. The Harbor Department will be financially responsible for payment of expenses incurred under the proposed 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 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. Find that it is in the best interest of the City of Los Angeles Harbor Department to deviate from Article 9: Indemnification from the standard provisions of the Harbor Department personal services agreement to align with the independence rule of the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct (AICPA Professional Standards) and guidance from Government Finance Officers Association (GFOA);

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4. Approve the Agreement with Moss Adams LLP for a three-year period not-to-exceed the amount of \$404,900;
5. Authorize the Executive Director or designee to execute the Agreement and the Board Secretary to attest to the Agreement; and
6. Adopt Resolution No. _____.

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 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 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.

The proposed Agreement has the following provisions that deviate from the Harbor Department's standard terms and conditions:

1. Article 9: Indemnification: The standard indemnification provision has been modified by replacing "Except for the sole negligence or willful misconduct of the City" with "Except to the extent of the negligence or willful misconduct of the City" to align with professional standards issued by American Institute of Certified Public Accountants (AICPA) and guidance released Government Finance Officers Association (GFOA) in 2019.

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The standard indemnification provision requires the Consultant to indemnify the City for claims that relate, directly or indirectly, to the City's actions. Under the AICPA Professional Standards, any such indemnification would impair the auditor's independence. It is expected that other well-qualified audit firms will request revisions to the standard contract provision prior to accepting the engagement. It is in the best interest of the Harbor Department to revise the standard contract provision so it meets professional standards and tailored to the nature of audit services, as well as the needs of the Harbor Department.

Selection Process - On March 9, 2021, 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. Five audit firms submitted proposals; the list of five proposers is included in Transmittal 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 Debt and Treasury Division, the Deputy Executive Director and Chief Financial Officer, and the Chief Financial Officer from the Alameda Corridor Transportation Authority. 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, and management; 4) rates, fees, and budget control; and 5) clarity and comprehensiveness of the proposal (Transmittal 2). The review panel selected Moss Adams 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 – Moss Adams 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%) preference for qualifying Local Business Enterprises (LBE). Moss Adams, located in Los Angeles County, is a qualified Local Business Enterprise (LBE). Three out of five responsive proposals qualified for the 8% preference for LBEs.

Scope of Work - The scope of work covered in the Agreement 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(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 municipal advisor and/or the

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underwriter in connection with the sale of debt securities. The proposed Agreement is included as Transmittal 4.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a professional services agreement with Moss Adams to perform financial statement audits of the Harbor Department and other financial audit services, 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 Agreement would authorize up to \$404,900 to be spent on financial auditing services over a three-year term. Staff anticipates spending under the proposed Agreement to occur as follows:

Fiscal Year (FY)	
FY 2022	\$ 129,100
FY 2023	\$ 135,200
FY 2024	\$ 140,600
Total	\$ 404,900

FY 2021-2022 funding in the amount of \$129,100 has been budgeted within Account 54420 (Audit Fees & Services), Center 0630, Program 000. Future fiscal year spending will be requested to be budgeted as part of the annual budgeting process, subject to Board approval. 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 Moss Adams

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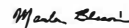
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FIS Approval: MB (initials)
CA Approval: SO (initials)



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FRANK LIU
Director of Accounting



Marla Bleavins
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MARLA BLEAVINS
Deputy Executive Director &
Chief Financial Officer

APPROVED:

 For

EUGENE D. SEROKA
Executive Director

MB/FL
Author: L. Hillyer