

RECOMMENDATION APPROVED;
RESOLUTION 17-8107 ADOPTED; AND
AGREEMENTS 17-3491 THRU 17-3502 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS



Executive Director's
Report to the

Board of Harbor Commissioners

MAY 18, 2017

AMBER M. KLESGES
Board Secretary

5/17/17
14
DATE: MAY 18, 2017

FROM: MANAGEMENT AUDIT

SUBJECT: RESOLUTION NO. 17-8107 TO APPROVE AGREEMENTS WITH
CONSULTANTS TO PERFORM AUDIT AND CONSULTING SERVICES

SUMMARY:

Staff requests approval of agreements with 12 consulting firms to perform audit and consulting services to augment its internal staff in performing management audits of its operations on an as-needed basis. The proposed not-to-exceed amount is \$1,130,000 over the next five years. As audit projects are identified, they will be funded by professional services agreements, contingent upon available funding. Expenses incurred under the proposed agreements are the financial responsibility of the Harbor Department.

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 the City of Los Angeles Charter Section 1022, work under the subject Agreements is temporary in nature and can be performed more feasibly by independent consultants rather than by City employees;
3. Approve and appoint the audit pool consisting of twelve (12) selected audit firms for a period of five years;
4. 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 \$1,130,000 in total compensation authority among the group list over the contract period;
5. Direct the Board Secretary to transmit said agreements to City Council for approval pursuant to Section 10.5 of the Los Angeles City Administrative Code;
6. Authorize the Executive Director to execute and the Board Secretary attest to said agreements upon approval by City Council; and
7. Adopt Resolution No. 17-8107.

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SUBJECT: GROUP OF FIRMS TO PERFORM AUDIT SERVICES

DISCUSSION:

Background/Context – In 2008, the Board recognized the need to establish an internal 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 firms may be required to augment City staff on an as-needed, 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 used, rather than drafting individual contracts every time an audit is needed. 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).

An Agreement (Transmittals 1-12) will establish a contractual relationship with each firm for five years and define the general scope of possible audit 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 group firms. Further, staff anticipates that the total aggregate compensation will not exceed \$1,130,000 within the five-year group list life. For reference, the first Harbor audit group of 18 firms operated from 2010-2013, during that time, five (28%) firms performed audits. The pool's not-to-exceed amount was \$1,200,000 and average annual expenditures were approximately \$244,000. The second pool had 17 firms and operated from 2014-2016, during that time, four (24%) performed audits. The group's not-to-exceed amount was \$922,000 and average annual expenditures were approximately \$179,000.

Due to the variety and timing of work considered by Management Audit, all work contracted to group 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 Order job budgets will be established as part of the Management Audit fiscal year budget for outside services. To manage and contain the cost of each project appropriately, individual management audits and reviews during the next five 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 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, and management assessments and 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

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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 November 16, 2016, the Request for Qualifications (RFQ) was posted on the Port's website and the City's Business Assistance Virtual Network (BAVN). Thirteen firms submitted Statements of Qualifications (SOQs) by the November 30, 2016 deadline (Transmittal No. 13).

Staff utilized the RFQ Selection Evaluation Form (Transmittal No. 14) 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 (25%); project approach/work plan (25%); rates (20%); and SOQ quality (15%).

The selection committee consisted of three evaluators from the Harbor Department's Finance and Administration Bureau, as well as Management Audit staff from LAWA. Each SOQ was evaluated and ranked independently by each evaluator. Based on the committee's SOQ evaluations and contacts with professional references, the committee recommends Board approval of twelve (12) Agreements between the Harbor Department and the selected firms. These firms represent the most highly-ranked respondents and will provide a sufficient variety of industry knowledge from which to choose. Also, over 50% of the firms are new to the Harbor Department. One respondent firm scored significantly below the others, so a contract is not being pursued with them this time. The table below lists the selected group firms, including a summary of some of the specialty competencies they reported in their SOQs:

	Firm Name	Info Tech	Internal Controls	Financial	Real Estate	Security
a	Arroyo Associates	X	x	x		x
b	CGR Consulting	X		x		
c	Macias Gini O'Connell		x	x		
d	BCA Watson Rice	X	x	x	x	x
e	Schumaker and Company	X		x		x
f	TAP International	x		x		
g	Sjoberg Evashenk			x	x	
h	PMA Consultants		x	x		x
i	KH Consulting		x	x		
j	Harvey Rose Associates	X	x	x	x	
k	Bronner Group	X	x	x		
l	Resolution Management Group		x	x		

Also, staff believes this group size will assure a good choice of firms will be available when projects are identified.

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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 all project details, as described above, will be distributed to audit group 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 the Task Order's scope of work, under the selected firm's contract, administered by the Management Audit section under its fiscal year budget.

ENVIRONMENTAL ASSESSMENT:

The proposed action is to establish a group of consulting firms for a five year period to augment internal staff on an as-needed basis. As an administrative action, 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 Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the twelve proposed personal service agreements will enable the Harbor Department to retain audit and consulting services on an as-needed basis commencing upon the effective dates of each respective agreement for a not-to-exceed amount of \$1,130,000 over a five-year period for all firms. If this action is approved, all expenditures made under these contracts via Task Order will adhere to the budget for cost center 570, account 54290. A total amount of \$226,000 has been budgeted in this account for FY2016-17. Funds to be budgeted for future fiscal years will be requested as part of the annual budget cycle, subject to Board approval. A funding out clause will be included in each of the audit group agreements.

CITY ATTORNEY:

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

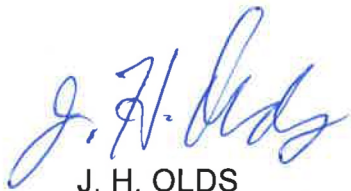
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TRANSMITTALS:

1. Agreement between the City of Los Angeles and Arroyo Associates
2. Agreement between the City of Los Angeles and CGR Management Consulting
3. Agreement between the City of Los Angeles and Macias Gini O'Connell
4. Agreement between the City of Los Angeles and BCA Watson Rice
5. Agreement between the City of Los Angeles and Schumaker & Company
6. Agreement between the City of Los Angeles and TAP International
7. Agreement between the City of Los Angeles and Sjoberg Evashenk Consulting Inc.
8. Agreement between the City of Los Angeles and PMA Consultants
9. Agreement between the City of Los Angeles and KH Consulting
10. Agreement between the City of Los Angeles and Harvey Rose Associates
11. Agreement between the City of Los Angeles and Bronner Group
12. Agreement between the City of Los Angeles and Resolution Management Group
13. RFQ Selection Committee Results and Composite Ranking Scores
14. RFQ Selection Evaluation Form



J. H. OLDS
Departmental Audit Manager

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



MARLA BLEAVINS
Deputy Executive Director
and Chief Financial Officer

APPROVED:



EUGENE D. SEROKA
Executive Director