



## Legislation Text

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File #: 2021-0372, Version: 1

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**DATE:** January 11, 2022

**SUBJECT:**

**RESOLUTION SELECTING AND AUTHORIZING AN AGREEMENT WITH MOSS ADAMS FOR PROFESSIONAL EXTERNAL AUDITING SERVICES FOR AN AMOUNT NOT TO EXCEED \$398,000 FOR THE AUDIT OF FISCAL YEARS 2022, 2023, AND 2024 WITH TWO ONE-YEAR OPTIONS TO EXTEND, WHICH MAY BE GRANTED AT THE SOLE DISCRETION OF THE DISTRICT FOR AN AMOUNT NOT TO EXCEED \$128,500 PER YEAR, FOR A TOTAL NOT-TO-EXCEED AMOUNT, INCLUDING OPTIONS, OF \$655,000. FUNDS FOR THIS FISCAL YEAR ARE BUDGETED, FUNDS FOR FUTURE FISCAL YEARS WILL BE BUDGETED IN THE OFFICE OF THE PORT AUDITOR IN THE APPROPRIATE FISCAL YEARS, SUBJECT TO BOARD APPROVAL UPON ADOPTION OF EACH FISCAL YEAR'S BUDGET.**

### **EXECUTIVE SUMMARY:**

On November 30, 2020, Port staff advised the Audit Oversight Committee (Committee) that the District's current agreement with external auditor Macias, Gini, & O'Connell (MGO) was to expire on April 30, 2021. The Committee recommended that the Board extend the agreement with MGO for one year, through April 30, 2022, due to potential complications with orienting a new external auditor stemming from COVID-19. The Board authorized Amendment No. 4 and the agreement was extended for one year.

On July 12, 2021 the District issued a Request for Proposal (RFP) in accordance with Board of Port Commissioners Policy No. 110 for annual external audit services. The scope of service includes the annual audit of the Port's financial statements and a single audit under OMB Circular A-133. The Port received submittals from 7 firms, of which 4 were invited for interviews. A staff evaluation panel ranked the firms according to the criteria established in the RFP. Based on the evaluation, staff selected Moss Adams for recommendation to the Committee.

On December 7, 2021 the Committee met and agreed with the evaluation results. The Committee is now recommending that the Board select and authorize an agreement with Moss Adams as the District's external auditor for the Audit of fiscal years 2022, 2023, and 2024.

### **RECOMMENDATION:**

Adopt a Resolution selecting and authorizing an agreement with Moss Adams for professional external auditing services for an amount not to exceed \$398,000 for the audit of fiscal years 2022, 2023, and 2024 with two one-year options to extend, which may be granted at the sole discretion of the district for an amount not to exceed \$128,500 per year, for a total not-to-exceed amount,

including options, of \$655,000.

### **FISCAL IMPACT:**

Funds for this Fiscal year are budgeted. Funds for future fiscal years will be budgeted in the Office of the Port Auditor in the appropriate fiscal years, subject to Board approval upon adoption of each fiscal year's budget.

### **COMPASS STRATEGIC GOALS:**

This agenda item supports the following Strategic Goal(s).

- A Port that the public understands and trusts.
- A financially sustainable Port that drives job creation and regional economic vitality.

### **DISCUSSION:**

In February 2013 the Office of the Port Auditor retained the firm of Macias Gini & O'Connell LLP (MGO) for professional external auditing services. The agreement was for the financial and single audits covering fiscal years 2013, 2014 and 2015 with two, one-year options to extend the agreement at the sole discretion of the District.

On October 6, 2015, the Board exercised the first one-year option to extend the agreement from May 1, 2016, through April 30, 2017. This covered the audit for fiscal year 2016.

On October 13, 2016, the Board exercised the second option to extend the agreement from May 1, 2017, through April 30, 2018. This extension covered the audit for fiscal year 2017.

On April 10, 2018, based on staff's recommendation and the recommendation of the Audit Oversight Committee (Committee), the Board authorized Amendment No. 3 to the agreement, extending the term from April 30, 2018, to April 30, 2021, and increasing the maximum not-to-exceed amount covering the financial and single audits for fiscal years 2018, 2019, and 2020.

On November 30, 2020 the Committee met and recommended that the Board extend the agreement with MGO for one year, through April 30, 2022, due to potential complications with orienting a new external auditor stemming from COVID-19. The Board authorized Amendment No. 4 and the agreement was extended for one year.

On July 12, 2021 the District issued an RFP in accordance with Board of Port Commissioners Policy No. 110 for annual external audit services. The scope of service includes the annual audit of the Port's financial statements and a single audit under OMB Circular A-133. The Port received submittals from seven firms, of which four were invited for interviews. The four firms were Eide Bailly, LLP; MGO; Moss Adams, LLP; and RSM US, LLP.

Following are the proposed total audit fees for the annual financial statement and single audits.

	Total Annual Fees for Services							
	FY22	FY23	FY24	Additional Services <sup>1</sup>	Total for First Three Years	FY25	FY26	Total for Five Years
<b>Eide Bailly</b>	\$128,000	\$128,000	\$128,000	\$20,000	\$404,000	\$131,540	\$131,540	\$667,080
<b>Moss Adams</b>	\$126,000	\$126,000	\$126,000	\$20,000	\$398,000	\$128,500	\$128,500	\$655,000
<b>Macias Gini O'Connell</b>	\$133,645	\$133,645	\$133,645	\$20,000	\$420,936	\$143,869	\$143,869	\$720,674
<b>RSM US</b>	\$130,000	\$130,000	\$130,000	\$20,000	\$410,000	\$136,500	\$136,500	\$683,000

An evaluation panel comprised of the Port's finance, procurement, and audit staff conducted interviews with each of the four firms. Following the interviews, the panel ranked the firms according to the criteria established in the RFP resulting in the following weighted scores:

			Eide Bailly		Moss Adams		Macias Gini O'Connell		RSM	
EVALUATION CRITERIA	WEIGHT		Score	Total	Score	Total	Score	Total	Score	Total
FIRM'S RELEVANT EXPERIENCE	10		8	80	9	90	10	100	7	70
EXPERIENCE OF PROPOSED STAFF	9		10	90	10	90	10	90	10	90
APPROACH TO THE PROJECT	8		10	80	10	80	7	56	8	64
CAPABILITY TO PERFORM	7		9	63	10	70	10	70	8	56
COST/PRICING	6		9	54	10	60	9	54	9	54
<b>TOTALS</b>				<b>367</b>		<b>390</b>		<b>370</b>		<b>334</b>
ADA SCOPE ENHANCEMENT			0			0		0		0
DVBE/DISABLED STAFF			0			0		0		5
VETERANS STATUS			0			5		5		5
SBE PARTICIPATION			0			0		0		5
<b>GRAND TOTALS</b>				<b>367</b>		<b>395</b>		<b>375</b>		<b>344</b>

## **Eide Bailly**

9810 Scripps Lake Dr., Suite H

San Diego, CA 92131

Eide Bailly has extensive government industry experience having worked with government agencies over 70 years. They have experience with the Port of Stockton as well as experience with unique and complex operations. They work with over 1,200 government agencies. However, of the four firms interviewed, they presented the least amount of port experience.

Eide Bailly's approach to the project would be tailored specifically for the Port and included a dedicated team.

## **Moss Adams**

4747 Executive Drive, Suite 1300

San Diego, CA 92121

Moss Adams provided the best presentation and proposal among the four firms interviewed. Their audit approach is detailed and methodical. The process was clear and tailored to scope requirements. Moss Adams has experience with several large ports, including Port of Seattle and Port of Los Angeles where they are the principal auditors as well as consultants for the Ports of Long Beach and Tacoma.

Moss Adams has assigned an experienced team to the project, with the Partner having 20 years of experience. Their approach highlighted ease of transition, technology and data analytics as well as giving specifics on the technology that would be utilized in their approach, including predictive analytics and Tableau.

## **MGO**

12264 El Camino Real, Suite 402

San Diego, CA 92130

MGO has been the Port's external auditor for approximately eight years. MGO has extensive experience with airports, large municipalities, and ports (e.g., Counties of Los Angeles and San Diego, City of San Diego, Port of Los Angeles, etc.).

MGO identified its audit focus on significant port-specific issues such as pollution, lease revenues, and capital improvement projects/programs. MGO has an experienced team that has worked well with Port staff over the last eight years. MGO's approach to the project was not as detailed in their presentation.

## **RSM US, LLP**

18401 Von Karman Ave., 5<sup>th</sup> Floor

Irvine, CA 92612

RSM has extensive port experience, working with nine different ports. However, most of those ports were not in California. The team they have assigned to the project has many years of experience, including a partner that worked with the Port during the division of the Port and airport in 2003.

RSM's approach to the project is to conduct interviews, provide risk-based analysis, reviewing processes, and applying the 5C's approach (culture, civic, commercial, community, and consumer).

## **CONCLUSION:**

The Audit Oversight Committee agreed with the evaluation ratings and recommends to the Board that Moss Adams be selected and authorized to provide the District's external auditing services.

## **General Counsel's Comments:**

The Office of the General Counsel has reviewed and approved this agenda, proposed agreement, and resolution, as presented, as to form and legality.

## **Environmental Review:**

The proposed Board action, including without limitation, a resolution authorizing an agreement to provide auditing services, does not constitute a “project” under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because it will not have a potential to result in a direct or indirect physical change in the environment and is, therefore, not subject to CEQA. No further action under CEQA is required.

The proposed Board action complies with Section 35 of the Port Act, which allows the Board to do all acts necessary and convenient for the exercise of its powers. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

The proposed Board action does not allow for “development,” as defined in Section 30106 of the California Coastal Act, or “new development,” pursuant to Section 1.a. of the District’s Coastal Development Permit Regulations. Therefore, issuance of a Coastal Development Permit or exclusion is not required.

## **Diversity, Equity, and Inclusion Program:**

Due to limited known sub opportunities, bonus points for SBE participation was made available but not claimed by Moss Adams. Moss Adams submitted an Inclusion and Diversity 2020 Annual Report and reported more than 3,400 professionals. Moss Adams did not indicate eligibility for SBE status.

## **PREPARED BY:**

Mark Yeilding  
Port Auditor, Office of the Port Auditor

## **Attachment(s):**

Attachment A: Moss Adams Proposal for External Audit Services Presentation

Attachment B: Agreement Between San Diego Unified Port District and Moss Adams for Annual External Audit Services