



## Legislation Details (With Text)

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**On agenda:** 2/6/2018    **Final action:** 2/6/2018  
**Title:** RESOLUTION SELECTING AND AUTHORIZING AN AGREEMENT WITH KPMG LLP FOR AS-NEEDED INTERNAL AUDIT SERVICES FOR AN AMOUNT NOT TO EXCEED \$300,000 FOR A PERIOD OF THREE YEARS; FY 2018 EXPENDITURES, IF NEEDED, ARE BUDGETED

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**Attachments:** 1. 8. 2017-0626 Attachment A, 2. 8. 2017-0626 Draft Resolution

Date	Ver.	Action By	Action	Result
2/6/2018	1	Board of Port Commissioners	adopted	

**DATE:** February 6, 2018

**SUBJECT:**

**RESOLUTION SELECTING AND AUTHORIZING AN AGREEMENT WITH KPMG LLP FOR AS-NEEDED INTERNAL AUDIT SERVICES FOR AN AMOUNT NOT TO EXCEED \$300,000 FOR A PERIOD OF THREE YEARS; FY 2018 EXPENDITURES, IF NEEDED, ARE BUDGETED**

**EXECUTIVE SUMMARY:**

The Port is strategically changing processes in the way it conducts business using innovative thinking and technology. This new approach requires application of new skillsets (e.g., triple bottom line and people-centered design), the creation of new departments (e.g., Strategy & Innovation), and new lines of business (e.g., Parking, Attractions, and Advertising). Risks associated this new approach create an increased need for consistent audit coverage related to strategic processes and initiatives. This agreement for as-needed internal audit services will supplement internal staff in order to adequately address the Port's routine audit areas and sufficiently provide coverage of new Port-wide processes and initiatives.

A Request for Qualifications (RFQ) was issued on October 5, 2017; five submittals were received and one was considered non-responsive. Three firms were interviewed by an evaluation panel of District staff representing the Office of the Port Auditor, Human Resources and Procurement. Based on the interviews, the written proposals, and a decision analysis process, using the criteria stated in the RFQ, the evaluation panel is recommending that the Board select and authorize an agreement with KPMG Inc. Upon Board approval, Agreement #281-2017SN (Attachment A) would be executed.

**RECOMMENDATION:**

Adopt a Resolution selecting and authorizing an agreement with KPMG LLP for as-needed internal audit services for an aggregate amount not to exceed \$300,000 for three years.

**FISCAL IMPACT:**

Funds for the first year of this expenditure are included in the FY 17/18 approved budget for the Port Auditor in the Services - Professional account (#620100). These expenses are on an as-needed basis and funds required for future fiscal years will be subject to annual budget approval by the Board in the appropriate fiscal year.

**COMPASS STRATEGIC GOALS:**

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

- A Port that the public understands and trusts.
- A Port with an innovative and motivated workforce.

**DISCUSSION:**

This agenda item is to select and authorize an as-needed agreement for internal audit services. The goal of the services provided is to supplement internal staff in order to adequately address the Port's routine audit areas and sufficiently provide coverage of new Port-wide processes and initiatives. Prior to issuing individual task authorizations (TAs) under these agreements, a TA-specific scope of work will be defined by Port Auditor staff and an appropriate fee will be negotiated for the requested work.

**RFQ and Service Provider Selection**

Pursuant to BPC Policy No. 110, the Port Auditor's Office issued RFQ #17-68CH on October 5, 2017 seeking qualified firms to provide as-needed internal audit services. An RFQ information exchange meeting was conducted on October 12, 2017, which eight firms attended. On November 2, 2017, five proposals were received and one was considered non-responsive. The following table lists the four firms that submitted responsive proposals.

Firm	Office Location	Average of Fully Burdened Rate Per Hour
KPMG, Inc.	4747 Executive Dr., San Diego, CA 92126	\$175.00
Vasquez & Company LLP	800 S. Grand Avenue, Suite 400, Los Angeles, CA 90017-4646	\$182.00
Sjoberg Evashenk Consulting, Inc.	455 Capitol Mall, Suite 700 Sacramento, CA 95814	\$167.50
Moss Adams, LLP	999 Third Avenue, Suite 2800 Seattle, WA 98104-4019	\$271.00

Proposals were evaluated by a panel comprised of District staff from the Office of the Port Auditor, Procurement and Human Resources. Based on this evaluation, the following top three firms were selected for interviews: Vasquez & Company LLP, Sjoberg Evashenk Consulting Inc., and KPMG Inc. The evaluation panel considered the Firms' proposals, presentations, and responses to the interview questions and then ranked the firms based on the criteria established in the RFQ. Based on this evaluation process, staff recommends Board approval of an as-needed agreement with KPMG Inc.

The interviewed firms are discussed below:

## 1. KPMG Inc.

KPMG Inc. has provided 17 years of internal audit support in San Diego for a variety of public and private organizations. They provided information technology audit support to the Port from 2007 to 2009 with no exceptions to their service. As a firm they have experience auditing various ports across the country including the New York/New Jersey Port Authority. The project team has thirty-three years of auditing experience. The partner and manager are from the San Diego office. The local firm has a deep bench to obtain team members that allows for a robust capability to perform on the Port's as-needed services.

The firm provided a solid work plan that exhibited a flexible and comprehensive approach based on the Port's needs; alignment with the Institute of Internal Auditors and AICPA standards; robust data analytics process to improve audit efficiency and accuracy. In their proposal and interview, KPMG clearly demonstrated a strong audit methodology and collaborative approach.

## 2. Vasquez & Company, LLP

Vasquez & Company has extensive government auditing experience for a variety of public agencies (City of Los Angeles and Long Beach). As a firm they have experience conducting audit projects for various California ports (Port of LA and Long Beach). The project team on average had sixteen years of auditing experience. The Project Manager (PM) has thirty years of audit experience but unfortunately the PM was not available during the interview to answer questions related to work experience.

The firm stressed a collaborative and flexible approach in the quality assurance review process. In addition, they emphasized an ability to work with the Port on providing guidance to define audit scope

with flexibility; however, the firm did not present a clear structure while describing the work plan.

### **3. Sjoberg Evashenk Consulting Inc.**

Sjoberg Evashenk has extensive government auditing experience for a variety of public agencies (City of Long Beach, City of Elk Grove, San Francisco Transportation Authority). As a firm they have experience conducting audit projects for various California ports (Port of LA and Long Beach). Sjoberg Evashenk performs audits throughout California and western United States. The project team on average had twenty-two years of auditing experience. The firm's partners have over thirty years of audit experience much of which was gained during their career with the California State Auditors Office. This is a small firm composed of fourteen employees including the partners.

The firm provided an organized and detailed approach to accomplish assigned projects. In addition, they emphasized a detailed quality review process in which all audit work and reports go through the partners review. Based on the size of the firm, there was concern by the evaluation panel over staff resources and capacity to respond within a short timeframe or retain the team for the entire duration of a project to ensure the assigned project is completed in a timely manner.

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

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

#### **Environmental Review:**

The proposed Board actions do not constitute a "project" under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because they will not have a potential to result in a direct or indirect physical change in the environment and are, therefore, not subject to CEQA. No further action under CEQA is required.

In addition, the proposed Board action complies with Sections 30, 71.5, 81 of the Port Act, which allow for the Board to manage the business of the District, for independent contractors to provide services of a professional, scientific or technical nature, and for the use of funds for expenses of conducting the District. 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.

Finally, the proposed Board actions do 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.

#### **Equal Opportunity Program:**

Due to limited known sub opportunities, no SBE goal was established for this agreement.

#### **PREPARED BY:**

Robert Monson  
Office of the Port Auditor

Attachment(s):

Attachment A: Agreement #281-2017SN - KPMG LLP