



REPORT TO THE

BOARD OF AIRPORT COMMISSIONERS

Rosalyn

Approved by: Rosalyn Wong, Departmental Chief Accountant IV,
Financial Reporting and Audit Division

Tatiana Starostina

Reviewed by: Tatiana Starostina, Chief Financial Officer,
Deputy Executive Director

D. Dy

Justin Erbacci

City Attorney

Justin Erbacci – Chief Executive Officer

Meeting Date:

2/18/2021

CAO Review:

- Completed
- Pending
- N/A

| Reviewed for | Date | Approval Status | By |
|--------------------|-----------|--|----|
| Finance | 2/1/2021 | <input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA | CI |
| CEQA | 1/29/2021 | <input checked="" type="checkbox"/> Y <input type="checkbox"/> N | VW |
| Procurement | 1/29/2021 | <input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond | QM |
| Guest Experience | 2/1/2021 | <input checked="" type="checkbox"/> Y <input type="checkbox"/> N | TB |
| Strategic Planning | 2/1/2021 | <input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> NA | KC |

SUBJECT: Contract Award to Moss Adams LLP for External Auditing Services

Approve award of a three-year contract, with two additional one-year term options, to Moss Adams LLP for External Auditing Services at Los Angeles World Airports (LAWA), in an amount not-to-exceed \$1,500,000 (\$1,185,893 for a four-year term and \$880,471 for a three-year term). The audit shall cover three fiscal years (FY) with two one-year extensions as follows: (FY1) July 1, 2020 – June 30, 2021; (FY2) July 1, 2021 – June 30, 2022; (FY3) July 1, 2022 – June 30, 2023; (FY4 option) July 1, 2023- June 30, 2024 and (FY5 option) July 1, 2024 – June 30, 2025. (Extension options to be exercised by LAWA).

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
3. FIND that the work can be performed more economically or feasibly by an independent contractor than by City employees.
4. APPROVE award of a three-year contract, with two additional one-year term options, to Moss Adams LLP for External Auditing Services at Los Angeles World Airports (LAWA), in

an amount not-to-exceed \$1,500,000 (\$1,185,893 for a four-year term and \$880,471 for a three-year term).

5. AUTHORIZE the Chief Executive Officer or his or her designee to execute the contract with Moss Adams LLP upon approval as to form by the City Attorney, and approval by the Los Angeles City Council.

DISCUSSION:

1. Purpose

Award a contract to a qualified accounting firm able to express an independent opinion as to whether the financial statements of Los Angeles World Airports (LAWA) and Los Angeles International Airport (LAX) present fairly, in all material respects, LAWA's financial position and results of operations and cash flows, in conformity with accounting principles generally accepted in the United States. As a recipient of federal grants, LAWA is required to undergo an additional audit, known as the Single Audit, to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The accounting firm also will express an independent opinion on LAWA's Single Audit Report. Finally, the accounting firm will conduct separate audits on LAWA's passenger facility charge and customer facility charge and express an independent opinion on the compliance requirements of the passenger facility charge and customer facility charge programs.

2. Prior Related Actions

- April 5, 2018 - Resolution No. 26456 (DA-5275)
- The Board of Airport Commissioners (Board) awarded a three-year audit engagement contract for External Auditing Services to Moss Adams LLP for fiscal years 2017-2018, 2018-2019 and 2019-2020. DA-5275 will expire on April 18, 2021.

3. Current Action

LAWA is an independent, financially self-sufficient department of the City of Los Angeles that prepares its own financial statements. In accordance with Section 362 of the City Charter, an independent certified public accounting firm must annually audit the financial position, revenues and expenses of LAWA. In addition, it also is a mandatory requirement that an external auditor audits LAWA's financial statements in conformity with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, in order to comply with the continuing disclosures of the Bond Indentures.

Procurement Process

On September 24, 2020, LAWA issued a Request for Proposal (RFP) for external auditor services. The RFP was posted on the Los Angeles Business Assistance Virtual Network. The RFP sought proposals from qualified and experienced firms to provide external auditing services for LAWA in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

A pre-proposal conference held on November 4, 2020, was attended virtually by twenty-four individuals representing various auditing firms. Eight firms submitted a proposal by the due date of December 3, 2020. The firms are:

- BDO USA, LLP
- Crowe, LLP
- Eide Bailly LLP
- Macias Gini & O'Connell LLP
- Moss Adams LLP
- Plante Moran, PLLC
- RSM US LLP
- The Pun Group LLP

Procurement Services Division conducted an evaluation of the administrative form requirements. LAWA set the following inclusivity goals for the contract: minimum of 10% Small Business Enterprise (SBE) participation, minimum of 5% Local Business Enterprise and Local Small Business Enterprise (LBE/LSBE) participation. It was determined, based on the analysis of documents submitted, that all eight proposers passed the administrative requirements.

The three-member RFP Evaluation Committee consisted of:

- LAWA Departmental Chief Accountant IV - Financial Reporting & Audit Division
- LAWA Departmental Chief Accountant IV - Accounting Operations & Payroll Division
- LAWA Auditor IV – Financial Reporting & Audit Division

The RFP Evaluation Committee reviewed the submitted proposals.

The evaluation of the proposals was based on the following criteria:

| | |
|-----------------------------------|-------------------|
| Quality and responsiveness | 15 points |
| Experience and qualification | 25 points |
| Knowledge of Airport Challenges | 25 points |
| Prior Engagements and Peer Review | 10 points |
| Costs | <u>25 points</u> |
| Total | <u>100 points</u> |

The RFP Evaluation Committee determined Moss Adams LLP to be the successful proposer. The ranking of the proposers was as follows:

1. Moss Adams LLP
2. Macias Gini & O'Connell, LLP
3. Crowe, LLP ; Plante & Moran, PLLC (both firms ranked the same)

Moss Adams LLP addressed each component outlined in the RFP, and provided an accurate description of their audit approaches and actions, including timelines and action plan for the audit services. The firm brings years of experience of providing accounting and auditing services to government entities such as Los Angeles World Airports, Port of Seattle (including SeaTac International Airport), Southern California Regional Rail Authority, Alameda Corridor

Transportation Authority, and Port of Portland (including Portland International Airport). It is a firm with local presence and also national involvement.

The total cost of the Contract is analyzed as below:

| | | <u>3-year</u> | <u>4-year</u> | <u>5-year</u> |
|--|---------|-------------------|---------------------|---------------------|
| Audit Services | | \$ 620,965 | \$ 839,885 | \$ 1,067,490 |
| Consulting Services: | | | | |
| Due diligence work related | 45,000 | 60,000 | 75,000 | |
| Anticipated due diligence | 18,000 | 24,000 | 30,000 | |
| Arbitrage rebate | 18,000 | 24,000 | 30,000 | |
| Other consulting services | 150,000 | 200,000 | 250,000 | |
| Audit related to State of California requirement for Customer Facility Charge at LAX | 28,506 | 38,008 | 47,510 | |
| | | 259,506 | 346,008 | 432,510 |
| Total Contract Amount | | \$ 880,471 | \$ 1,185,893 | \$ 1,500,000 |

Assuming all term extension options are exercised, the contract amount of \$1,067,490 is for auditing services and the remaining contract amount of \$432,510 is for consulting services on an as needed basis. Consulting services require authorization from LAWA's Chief Financial Officer.

The average projected annual cost of the financial audit is 3% higher than the actual average annual cost of the previous contract to accommodate additional audit work to be performed relating to the upcoming new Governmental Accounting Standards Board (GASB) statements, such as GASB 87 Leases.

Action Requested

Staff requests that the Board approve the award of a contract with Moss Adams LLP for external auditing services to assist LAWA in achieving compliance with government agencies, government regulations, and terms of LAWA's bond indenture.

Moss Adams LLP's SBE and LBE subcontractor for this contract is Vasquez & Company LLP, a certified Small Business Enterprise and Local Business Enterprise firm. Procurement Services has reviewed this action (File No. 9337) and established mandatory goals of 10% SBE and 5% LBE. Moss Adams LLP committed to 18% SBE and 18% LBE participation.

Fiscal Impact

Approval of this report will result in a new contract authority amount not to exceed \$1,500,000 over the five year term of the contract, assuming all term extension options are exercised by LAWA.

4. Alternatives Considered

- ***None***

Annual audits of LAWA's financial statements are an integral component of LAWA's internal controls and are considered a best practice under any public agency. Failure to conduct these annual audits would reduce transparency of LAWA's financial operations and would severely impair LAWA's ability to sell future bonds needed to provide funding for capital projects. In addition, annual audits are a legal requirement of the Bond Official Statement and Continuing Disclosure Requirements and must be completed 180 days following the end of each fiscal year.

APPROPRIATIONS:

Funding for the first year of this contract has been requested in the Fiscal Year 2020-21 Los Angeles World Airports Operating Budget in LAX Cost Center 1190041 – Financial Reporting & Audit Division, Commitment Item 520 – Contractual Services. Funding for subsequent fiscal years will be requested as part of the Department's annual budget process.

STANDARD PROVISIONS:

1. This action, as a continuing administrative activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.
2. The Office of the City Attorney has approved this contract as to form.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373.
4. Moss Adams LLP will comply with the provisions of the Living Wage Ordinance.
5. Procurement Services has reviewed this action (File No. 9337) and established mandatory goals of 10% SBE and 5% LBE. Moss Adams LLP committed to 18% SBE and 18% LBE participation.
6. Moss Adams LLP will comply with the provisions of the Affirmative Action Program.

7. Moss Adams LLP has been assigned Business Tax Registration Certificate number 0000854155-0001-2.
8. Moss Adams LLP will comply with the provisions of the Child Support Obligations Ordinance.
9. Moss Adams LLP will have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports prior to issuance of a Notice to Proceed.
10. Pursuant to Charter Section 1022, staff determined the work specified on the proposed contract can be performed more feasibly or economically by an Independent Contractor than by City employees.
11. Moss Adams LLP has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Moss Adams LLP must be determined by Public Works, Office of Contract Compliance to be in full compliance with the provisions of the Equal Benefits Ordinance prior to execution of the contract.
13. Moss Adams LLP is required to comply with the provisions of the First Source Hiring Program for all non-trade Airport jobs.
14. Moss Adams LLP has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. This action is not subject to the provisions of the Iran Contracting Act of 2010.