

AGENDA REPORT

Resolution: Authorization for the Executive Director to Enter into a Professional Services Contract for External Auditing Services with Macias Gini & O'Connell LLP for the Fiscal Years Ending June 30, 2020 and 2021, with Three (3) Possible One-Year Extensions for Audit Services for Fiscal Years Ending June 30, 2022, 2023 and 2024, for a total not to exceed amount of \$1,482,895. **(Finance & Admin.)**

MEETING DATE: 5/14/2020

AMOUNT: Not to Exceed \$1,482,895 Over a Maximum of Five (5) Years
Operating Expense

PARTIES INVOLVED: Macias Gini & O'Connell LLP, Walnut Creek, CA,
Annie Louie, Partner

SUBMITTED BY: Julie Lam, Acting Chief Financial Officer

APPROVED BY: Danny Wan, Executive Director

ACTION TYPE: Resolution

EXECUTIVE SUMMARY

This action would authorize the Executive Director to enter into a professional services contract with Macias Gini & O'Connell LLP for financial auditing services for two (2) fiscal years ending June 30, 2020 and 2021, with the option to extend the contract for three (3) possible one-year extensions for fiscal years ending June 30, 2022, 2023 and 2024, for a total not to exceed amount of \$1,482,895. Services for each fiscal year will be provided beginning in June of the fiscal year under audit and ending no later than April of the following year.

BACKGROUND

The Port of Oakland (Port) is required to engage an independent external auditor to perform audits on its financial records. The scope of the work to be performed consists of the following reports:

- Basic Financial Statement Audit (Comprehensive Annual Financial Report)
- Single Audit and Passenger Facility Charge (PFC) Audit
- Deferred Compensation Plan Audit
- Customer Facility Charge (CFC) Audit
- Report to Management

In 2003 the Port and the City of Oakland (City) conducted their first joint competitive Request for Proposal (RFP) process with the purpose of selecting the same auditing firm. The Port's Comprehensive Annual Financial Report (CAFR) is incorporated into the City's CAFR; therefore, utilizing the same auditing firm provides efficiencies and cost savings for both the City and the Port.

In February 2020, the City and the Port completed their fourth joint competitive RFP process. The City led the competitive RFP process with the Port providing its scope of work and participating in the evaluation process. The City directly contacted 25 small to large firms, advertised in the local press and on the City's website, and a pre-proposal conference was held to address proposers' questions, yet the City received a single proposal. This result is consistent with the City and Port's prior experience conducting this solicitation in 2016, for which two (2) proposals were received, and is reflective of the broad scope and complexity of the City's multiple audits, as well as the specialized industry of the Airport and Seaport.

ANALYSIS

The City and the Port received one (1) complete proposal, from Macias, Gini & O'Connell LLP (MGO), the City and Port's current auditor. Staff from the City and the Port evaluated the sole proposal received based on the following criteria:

Category	Points
Relevant Experience – <i>Past, recent, or on-going local government projects, including airport or seaport experience.</i>	30
Qualifications – <i>Professional background and qualifications of team members.</i>	25
Organization – <i>current workload, available staff and resources, capacity and flexibility to meeting schedules, ability to perform on short notice and under time constraints, and ability to perform numerous projects at the same time.</i>	20
Approach – <i>Understanding of the nature and extent of the services required, specific outline of how work will be performed, awareness of potential problems, special resources the team offers.</i>	20
L/SLBE Certified Business Participation ¹	5
Other factors – <i>presentation, completeness, clarity, organization and responsiveness of proposal.</i>	10
Total Points	110

City and Port staff are recommending award of this contract to MGO based on its relevant experience, qualifications, organization, and approach. MGO has experience conducting annual audits for many of California's largest cities, counties, seaports, and airports. Notable

¹ The City of Oakland was the lead agency for this solicitation, therefore the City of Oakland's small and local business criteria was used for the evaluation. The Port did not score these criteria.

public clients include the cities of San Diego, San Jose, and Sacramento, the City and County of San Francisco, Norman Y. Mineta San José International Airport, San Francisco International Airport, Port of Los Angeles, Port of San Francisco, and San Diego Unified Port District. The firm maintains a policy of partner rotation consistent with Assembly Bill 1345², and offers a robust technical review program, assuring that the Port's finances are regularly examined with fresh eyes.

The proposed initial term of two years plus the option of three additional one-year extensions are intended to balance the need for regular review of professional services contracts with the efficiency and consistency of a multi-year agreement.

The base contract amount will cover auditing services to complete the CAFR, including a Report to Management, Deferred Compensation Audit, Single and PFC Audit, and the CFC Audit for each fiscal year, subject to a 3% annual escalation. General advice and guidance will be provided at no additional cost and the Single Audit will include one "major program" in the base contract amount with the ability to include two additional "major programs" at a cost of \$6,500 each, subject to an annual 3% escalation. "Major programs" are identified annually based on an audit scope criteria established by the OMB Uniform Circular for the audit of Federal grant programs based on total grant reimbursable expenditures incurred for each Federal agency in each fiscal year.

In addition, specialized accounting services may be needed on a periodic basis related to matters such as accounting rule changes; for example, in fiscal years 2022 the Port will be implementing a significant accounting rule change related to lease accounting. These services are not to exceed \$50,000 in total for the entire contract period.

Maximum contracting authority requested is as follows:

	Base Contract	Second Major Program (as needed)	Third Major Program (as needed)	Total
FY 2019-2020	\$ 256,850	\$ 6,500	\$ 6,500	\$ 269,850
FY 2020-2021	264,600	6,695	6,695	277,990
FY 2021-2022 (optional)	272,550	6,896	6,896	286,342
FY 2022-2023 (optional, estimated)	280,727	7,103	7,103	294,932
FY 2023-2024 (optional, estimated)	289,149	7,316	7,316	303,781
Total Base Services	\$1,363,876	\$ 34,509	\$ 34,509	\$1,432,895
Additional Accounting Services (as needed)				50,000
Total Maximum Authorization				\$1,482,895

² AB 1345 as amended on September 2012, requires that the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, shall not performed audit services for that local agency for six consecutive fiscal years, beginning with the 2013–2014 fiscal year.

City Staff received approval to proceed with the City's contract at their March 26 meeting.

BUDGET & STAFFING

The proposed action will be included in the proposed Fiscal Year budget ending on June 30, 2021 and subsequent fiscal year budgets and does not have staffing impacts.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters included in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

- Goal: Grow Net Revenues

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply to this agreement as the service provider does not employ 21 or more employees working on Port-related work. However, the service provider will be required to certify that should living wage obligations become applicable, the service provider shall comply with the Living Wage Regulations.

SUSTAINABILITY

Port staff have reviewed the Port's 2000 Sustainability Policy and did not complete the Sustainability Opportunities Assessment Form. There are no sustainability opportunities related to this proposed action because it does not involve a development project, purchasing of equipment, or operations that presents sustainability opportunities.

ENVIRONMENTAL

CEQA Determination: This action was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA). The CEQA Guidelines, Section 15378(b)(4) ("the general rule") states that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Entering into professional services contract for external auditing services with MGO will not have a significant effect on the environment and therefore is not a project under CEQA. No further environmental review is required.

GENERAL PLAN

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

OPTIONS

1. *Recommended Action:* Authorize the Executive Director to enter into a professional services contract for external auditing services with Macias Gini & O'Connell LLP for the fiscal years ending June 30, 2020 and 2021, with three (3) possible one-year extensions for audit services for fiscal years ending June 30, 2022, 2023 and 2024, for a total amount not to exceed \$1,482,895.
2. Instruct Port staff to conduct another request for proposal separate from the City. This action could result in the Port contracting with an external auditor that is different than the City.

RECOMMENDATION

It is recommended that the Board of Port Commissioners authorize the Executive Director to enter into a professional services contract for external auditing services with Macias Gini & O'Connell LLP for the fiscal years ending June 30, 2020 and 2021, with three (3) possible one-year extensions for audit services for fiscal years ending June 30, 2022, 2023 and 2024, for a total amount not to exceed \$1,482,895.