United States General Accounting Office

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Report to Congressional Committees

February 1993

# CONTRACT AWARD PRACTICES

# Metropolitan Washington Airports Authority Generally Observes Competitive Principles





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**United States**
**General Accounting Office**
**Washington, D.C. 20548**

**Resources, Community, and**
**Economic Development Division**

B-251131

February 8, 1993

The Honorable Ernest F. Hollings
Chairman
The Honorable John C. Danforth
Ranking Minority Member
Committee on Commerce, Science,
and Transportation
United States Senate

The Honorable Norman Y. Mineta
Chairman
The Honorable Bud Shuster
Ranking Minority Member
Committee on Public Works
and Transportation
House of Representatives

We are required to review the contracting practices of the Metropolitan Washington Airports Authority (MWAA) by the Metropolitan Washington Airports Act of 1986, as amended by title VII of the Intermodal Surface Transportation Efficiency Act of 1991.[1] As agreed with your offices, this report responds to that requirement by determining whether contracts awarded by MWAA are the result of full and open competition[2] to the maximum extent practicable. We focused our review primarily on contracts worth over $1 million awarded in fiscal years 1989, 1990, and 1991.

## Results in Brief

MWAA's procedures for awarding contracts worth over $200,000 and concession contracts have promoted a competitive environment. The contract awards that we reviewed followed MWAA's procedures and

[1]Subsequent to the 1991 act's enactment, GAO was requested to address issues related to (1) agreements with tenant airlines on reimbursement of costs of ongoing renovation and expansion projects at Washington National and Washington Dulles International airports and (2) fluctuations in the cost of projects such as design and construction of a new main terminal at Washington National Airport. We plan to address these issues in future work.

[2]"Full and open competition" is a term the Federal Acquisition Regulations (FAR) defines as meaning that all responsible sources are permitted to compete. Although the FAR is not applicable to MWAA, the term full and open competition is used in the lease agreement between MWAA and the federal government.

reflected a fully competitive process that was open to all interested parties, with solicitations focused on local vendors.[3]

We found several practices that could potentially reduce the competitiveness of MWAA's contract awards. MWAA awards contracts for architectural and engineering services through a process in which proposals are evaluated on the basis of criteria established by MWAA's operational units. While this process is similar to the one the federal government uses to procure design services, MWAA's existing policies and procedures do not establish responsibility for reviewing the criteria to ensure that they do not unnecessarily reduce competition. Some criteria that we reviewed could have been interpreted as unnecessarily restrictive by potential offerors. We also found that MWAA extended one sole-source contract noncompetitively several times without the required approval of its Board of Directors. Finally, MWAA has not yet finalized and published its procedures for awarding contracts, although it plans to complete this task.

## Background

MWAA is a public body created under Public Law 99-599 by the Commonwealth of Virginia and the District of Columbia for the purpose of operating Washington Dulles International (Dulles) and Washington National (National) airports. Control of the properties was transferred to MWAA on June 7, 1987, under a 50-year lease agreement between MWAA and the Department of Transportation, as authorized by the Metropolitan Washington Airports Act of 1986. Before the transfer, the airports were operated by the Federal Aviation Administration (FAA) and financed with federal appropriated funds. MWAA's funding comes from operational revenues (rents, payments from concessionaires, landing fees, utility sales, and passenger fees). MWAA also receives federal Airport Improvement Program (AIP) grants and proceeds from bonds issued to finance its Capital Development Program.

Since the airports are no longer under the control of the federal government, MWAA is not required to follow federal procurement statutes, such as the Competition in Contracting Act and the Brooks Act, or the Federal Acquisition Regulations (FAR) in procuring goods and services. As a result, MWAA has developed its own procurement policies and procedures, which incorporate some federal procurement terms and principles. MWAA applies these terms and principles differently. In this

[3]MWAA defines local vendors as all vendors in counties located within 100 miles of Washington, D.C. Some counties in the states of Delaware, Maryland, New Jersey, Pennsylvania, Virginia, and West Virginia—as well as the District of Columbia—fall within this limit.

report, we use MWAA's own terminology without implying any similarity to the federal procurement activity with the same name.

MWAA is obligated under its lease agreement with the Department of Transportation to ensure full and open competition, to the maximum extent practicable, by publishing competitive procedures for contracts worth in excess of $200,000 and for concession contracts. In addition, for contracts funded to any extent by AIP grants, MWAA is required to follow federal procurement requirements specified in the grant, such as disadvantaged business enterprise (DBE) goals.[4]

The value of all contracts for goods, services, and construction projects awarded by MWAA's Procurement Operations Branch averaged about $75 million per year in fiscal years 1989, 1990, and 1991. The annual value of these contracts will increase significantly over the next few years because of increased construction under the Capital Development Program. MWAA's Capital Development Program provides for major expansion of facilities at Dulles and modernization of facilities at National. The program will include approximately 150 projects, at an estimated cost of $2 billion.

MWAA also awards contracts to concessionaires. Unlike other contracts, concession contracts generate revenue that MWAA uses to fund operations. MWAA's revenue from these contracts with firms providing rental cars, food and beverages, newspapers and gifts, and public parking has averaged about $42 million per year in fiscal years 1989, 1990, and 1991.

## Contracts Are Awarded Competitively, With Local Focus

MWAA's process for awarding contracts for goods, services, and construction projects is competitive but highly focused on soliciting vendors in the Washington, D.C., geographic area. We reviewed all 39 contracts for goods, services, and construction awarded by MWAA's Procurement Operations Branch in fiscal years 1989, 1990, and 1991 worth at least $1 million or more. The contracts awarded had a total value of $159.2 million and represented 71 percent of all contracting dollars awarded by MWAA's Procurement Operations Branch during this period.

[4]MWAA considers disadvantaged business enterprises to be small business concerns, as defined by section 3 of the Small Business Act, that are at least 51 percent owned and controlled by one or more socially and economically disadvantaged individuals, including women. Federal DBE goals are intended to ensure that at least 10 percent of the AIP contracting funds are reserved for DBEs. Under a separate requirement, MWAA must place 10 percent of airport concessions with DBEs.

Overall, the 39 contracts that we reviewed were awarded according to draft procurement procedures. Thirty (77 percent) of the 39 contracts were awarded competitively. Nine (23 percent) were appropriately awarded as sole-source contracts. Reflecting MWAA's emphasis on attracting vendors within the Washington, D.C., geographic area, only two of the competitively awarded contracts were advertised in newspapers outside the Washington, D.C., area.

## Goods, Services, and Construction Contracts Are Awarded Competitively

MWAA uses what it calls a request for proposal (RFP) method to solicit proposals for most contracts for goods, services, and construction. Twenty-four of the 30 competitively awarded contracts we reviewed were awarded using this method. Under the RFP method, contracts are awarded as firm-fixed-price[5] contracts to the lowest offeror who meets the required technical specifications and standards described in the solicitation document. For example, technical specifications and standards may include (1) requiring prime contractors to meet DBE goals by subcontracting a portion of the contract work to firms certified as DBEs or (2) requiring that the prime contractor itself perform a certain percentage of the work. Offerors that fail to meet these requirements may be considered nonresponsive to the solicitation.

In some instances involving contracts to both design and build a project, MWAA used a two-step RFP method by requesting and evaluating the qualifications of prospective contractors before issuing the RFP. Under this approach, applicants' qualifications are ranked and the top-ranked firms receive the RFP. The contract is then awarded to the top-ranked contractor that submits the lowest responsive offer.

Twenty-one of the 24 contracts awarded using RFPs went to the lowest offeror; 4 of these contracts were awarded using the two-step method. For the other three contracts, the lowest offeror was not awarded the contract because it did not meet the technical specifications or standards of the solicitation and was therefore considered nonresponsive. In one instance, a contract was awarded to the third-lowest offeror because the firms submitting lower prices failed to include convincing documentation that they had made a good faith effort to meet a DBE participation goal of 25 percent.

[5]A firm-fixed-price contract provides a price for a product or service that is not changed during the course of the contract.

Appendix I provides more details on MWAA's procedures for awarding contracts for goods, services, and construction.

## Construction Design Services Are Awarded Competitively Using a Scoring Process

MWAA awarded six design services contracts using what it calls a request for qualifications (RFQ) solicitation method. These contracts, for architectural/engineering (design) services, were awarded following a scoring process designed to evaluate each offeror's capability and qualifications to perform the services. MWAA's procedures for awarding these contracts are similar to those established in the Brooks Act, under which the federal government procures design services. An independent panel ranks the offerors' proposals according to evaluation criteria developed by the requesting organization and construction engineers in consultation with procurement officials. The panel may conduct oral interviews with the top-ranked firms. MWAA then begins price negotiations with the highest-scoring firm.

We found that the selection process used for the six design services contracts we reviewed was well documented and the final selection was justified on the basis of the criteria MWAA used to evaluate and rank the proposals. However, some elements of the criteria used to evaluate proposals could be interpreted as unnecessarily restrictive by potential offerors. For example, the criteria in an RFQ for the design and construction of a commissary building at Dulles included "specialized experience in related design and construction, including design of airport facilities and food-handling and warehousing facilities." Previous experience in airport design and construction could be viewed as unnecessary for the construction of a commissary building.

MWAA's existing contracting policies and procedures do not establish who is responsible for deciding whether the evaluation criteria to be included in the RFP are appropriate. However, MWAA's practice has been to allow the requesting organization to determine this issue. MWAA's Procurement Manager acknowledged that some criteria that have been included in RFPs could be interpreted as overly restrictive. He said that he supports a procedure that would make the procurement office responsible for the final determination on the appropriateness of the evaluation criteria.

Appendix II provides additional details on MWAA's procedures for awarding architectural/engineering services contracts, including the evaluation criteria used to award the contract to design and build the commissary.

## Certain Contracts Have Been Awarded as Sole-Source Contracts

Nine (23 percent) of the 39 contracts we reviewed were appropriately awarded as sole-source contracts. Eight of the nine sole-source contracts were awarded to public utilities because no other responsible source was available. The ninth sole-source award, for an essential ground transportation service, was properly authorized by MWAA's Board of Directors. Because of the urgent need to continue ground transportation services after the previous contractor filed for bankruptcy, 10 members of the board voted to approve the ground transportation contract on a sole-source basis for a term of 1 year. The board also issued a resolution specifically stating that the contract should not be extended beyond that year. However, we found that the contract was extended several times without either competition or the board's formal approval; the contract was not awarded competitively until June 1992. During this period, the value of the contract increased from the original award amount of $1.5 million to over $6 million. MWAA officials told us that MWAA granted the contract extensions until accurate performance data could be gathered to allow development of a detailed scope of work for the new RFP. While they acknowledged that the board's approval was not obtained, they said that the Operations Committee of the Board of Directors was aware of the extensions.

## Solicitation Procedures Favor Local Vendors

All of the solicitation announcements for the contracts we reviewed were published except those for sole-source awards. The announcements were routinely published in The Washington Post, but only two were published outside the Washington, D.C., area. Some solicitations were also advertised in other local business and trade journals. Announcements requesting proposal offers were published at least 30 days before the solicitation's closing date and provided detailed information on application procedures. For all but one of the competitively awarded contracts we reviewed, there were at least four responses to the solicitation announcements.

According to MWAA officials, the emphasis on providing contracting opportunities to local businesses stems primarily from their desire to support local business enterprises, since MWAA is a regional authority. In fact, MWAA's Board of Directors approved a policy resolution that emphasizes awarding contracts to local businesses. In an analysis of its contract awards, MWAA found that 62 percent of the vendors awarded contracts in calendar years 1988 and 1989 were located within the Washington, D.C., geographic area. Moreover, these contracts represented

83 percent of the total contracting dollars that MWAA awarded during the period.

Other major airport authorities we surveyed also reported that their contract solicitation practices are local rather than national in scope. Procurement officials from 14 major airport authorities told us that they do not routinely advertise contract solicitations in publications outside of their local areas. (App. III lists the airport authorities we contacted.)

## Concession Contracts Are Awarded Competitively and Nationally Focused

Concession contracts are awarded competitively but not in the same manner as contracts for goods, services, and construction. These awards are made by MWAA's Commercial Programs Office rather than the Procurement Operations Branch. (App. IV provides details on how concession services contracts are awarded.) Moreover, solicitations for concession services contracts are advertised both nationally and locally because of the need to attract national businesses, such as chain restaurants and car rental firms.

Our review of the eight concession services contracts awarded in fiscal years 1989, 1990, and 1991 showed that all were awarded competitively. In addition, MWAA exercised an option clause in another 12 contracts that permitted extensions without competition at the end of the contracts' terms. These extensions were based on (1) uncertainties about the type of commercial services needed because of the phasing-in of the new main terminal at National and extensions at Dulles's main terminal and (2) delays in preparing new RFPs. MWAA's Board of Directors approved all extension agreements made as a result of the phasing-in of National's new terminal.

## Contracting Award Procedures Have Not Been Published as Required

MWAA is required by its lease agreement with the Department of Transportation to ensure full and open competition, to the maximum extent practicable, using published competitive procedures in awarding contracts for goods, services, and construction worth over $200,000 or for concessions. However, MWAA has not made final and published its procedures for awarding contracts.

MWAA's Procurement Operations Branch relies on its Contracting Policies Guide and a draft of its Contracting Procedures Manual to award all contracts valued at over $200,000. The Contracting Policies Guide was published and approved by MWAA's Board of Directors in May 1988 as

volume I of MWAA's contracting handbook. It contains broad policy information and guidance on matters related to MWAA's entire contracting program. Volume III of the handbook is to contain detailed contracting procedures for awarding contracts for goods and services worth over $25,000 and construction worth over $2,000.[6] However, volume III has not been completed and published; it is still in draft form. MWAA officials told us that they are currently developing volume III in more detail and plan to make it available to the public after it has been finalized and approved by the Board of Directors.

Volume IV of MWAA's contracting handbook is intended to contain procedures for awarding concession contracts and leases. However, MWAA has not produced a draft of this volume. According to Commercial Programs Office officials, the office has not finalized and published standard procedures for awarding concession contracts because it considers that each concession has unique characteristics. Therefore, the office develops a different set of procedures for each type of concession being sought, and the solicitation document describes the procedures to be used for awarding each contract. Nevertheless, MWAA does plan to develop broad procedures for awarding concession contracts and make these procedures available to the public as volume IV of its contracting handbook.

## Conclusions

Even though MWAA has not published detailed procedures for awarding contracts for goods, services, and construction worth over $200,000 and concessions contracts, its contracting practices do promote a competitive contract award environment. Contracts are generally awarded through fully competitive procedures that are open to all but focused on attracting vendors in the local geographic area. However, we found some practices that, if continued, could adversely affect the competitive process. These practices include (1) awarding contracts under procedures that have not been publicly disclosed, (2) not clearly delineating responsibility for reviewing the appropriateness of the evaluation criteria used to rank proposals for awarding architectural and engineering contracts, and (3) extending a contract without authorization.

## Recommendations

To ensure full and open competition in contracting opportunities, MWAA should finalize and make available detailed procedures for awarding

[6]Volume II contains procedures for awarding contracts for small purchases (goods and services worth under $25,000 and construction costing less than $2,000).

contracts for goods, services, and construction valued at over $200,000 and concession contracts. MWAA's procedures should include provisions that

- prevent the use of evaluation criteria that may be inappropriate to MWAA's needs and
- ensure that the Board of Directors approves all contracts for which approval is required.

## Agency Comments

We discussed the information in this report with MWAA's Director of Administrative Services and other senior officials responsible for procurement and contracting activities and incorporated their views as appropriate. They agreed with our recommendations and the factual information presented in the report. They also said that they are planning to develop procedures for awarding concession contracts. We have reflected this information in the report. As requested, we did not obtain written comments on a draft of this report.

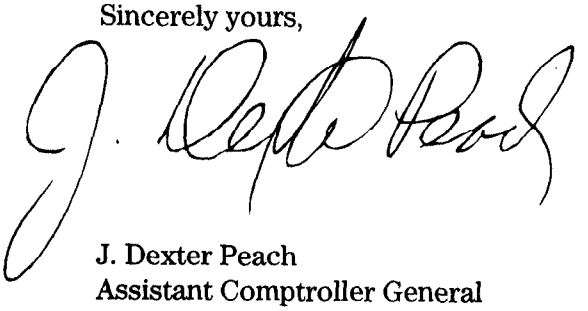
We conducted our review between March and September 1992 in accordance with generally accepted government auditing standards. Appendix V contains details on our scope and methodology.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the General Manager, Metropolitan Washington Airports Authority; the Secretary of Transportation; the Administrator, FAA; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others on request.

This work was performed under the direction of Kenneth M. Mead, Director, Transportation Issues, who may be reached at (202) 275-1000

if you or your staff have any questions. Major contributors to this report are listed in appendix VI.

Sincerely yours,



J. Dexter Peach
Assistant Comptroller General

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## Abbreviations

| | |
|---|---|
| AIP | Airport Improvement Program |
| DBE | Disadvantaged Business Enterprise |
| FAA | Federal Aviation Administration |
| FAR | Federal Acquisition Regulations |
| GAO | General Accounting Office |
| MWAA | Metropolitan Washington Airports Authority |
| RFP | request for proposal |
| RFQ | request for qualifications |

# Procedures for Awarding Contracts for Goods, Services, and Construction

The Metropolitan Washington Airports Authority (MWAA) follows written contracting policies that were published following the Board of Directors' approval in May 1988. Draft internal operational procedures for awarding contracts for goods, services, and construction were recently developed but have not been approved by MWAA's management. However, procurement officials at MWAA follow the draft procedures to award contracts for goods, services, and construction.

MWAA's Procurement Operations Branch is responsible for awarding (1) goods and services contracts worth over $25,000, except for outside legal services, and (2) construction contracts worth over $2,000. MWAA's Office of Legal Counsel is responsible for procuring legal services. The individual airport managers at Washington National Airport (National) and Washington Dulles International Airport (Dulles) are responsible for procuring goods and services valued at under $25,000 and for construction contracts valued at under $2,000. Table 1 provides details on the number and value of all contracts awarded by MWAA's Procurement Operations Branch in fiscal years 1989, 1990, and 1991.

**Table 1: Contracts Awarded by MWAA's Procurement Operations Branch, Fiscal Years 1989, 1990, and 1991**

| Fiscal year | Number of contracts awarded | Total amount of awards |
|---|---|---|
| 1989 | 199 | $56,476,141 |
| 1990 | 312 | 97,230,573 |
| 1991 | 332 | 70,100,093 |

MWAA uses what it calls a request for proposal (RFP) method to solicit offers for contract awards involving most goods, services, and construction projects. Under this method, solicitation announcements are routinely published in The Washington Post but are not generally sent to a mailing list of potential vendors. Solicitations are also advertised through (1) a solicitation notice board located at MWAA's headquarters; (2) regional publications such as Dodge Reports, Blue Reports, and Construction Market Data; (3) the DC Contractors Association; (4) MWAA's Business Opportunity Hotline; and (6) other media deemed appropriate by MWAA. Firms are allowed an average of 30 days to respond to most RFP solicitations.

Under the RFP method, contracts are awarded to the lowest responsive applicants using sealed bids. However, the proposals must meet certain technical specifications and standards developed by the requesting organization and the contracting officer and described in the solicitation

package. Offerors that do not meet or address these specifications or standards when submitting proposals are declared nonresponsive and are ineligible for the contract award. For example, depending on how critical the work is, the RFP may include a requirement that a certain percentage of the work be performed by the prime contractor. The contractor may also need to meet certain experience requirements. Also, if the procurement is funded by AIP grants, the solicitation will include disadvantaged business enterprise (DBE) goals. Once all offers have been reviewed and found to be in compliance with the technical specifications and standards, the contract is awarded to the lowest offeror.

For some professional services and construction contracts considered vital to MWAA's operations, the Procurement Operations Branch has elected to use a two-step RFP process similar to the process used to award design services contracts (see app. II). Under this approach, applicants are initially ranked according to their qualifications and RFPs are sent to the top-ranked firms. The contract is then awarded to the top-ranked firm that submits the lowest responsive offer.

MWAA can make sole-source awards (1) when proprietary equipment, supplies, or services are involved; (2) in unusual situations in which continuity or quality of service is a controlling factor; (3) for phases in systems acquisition; (4) when there are compelling financial or compatibility reasons; (5) when only one source can satisfy the RFP requirements within the required time; or (6) when authorized by a vote of 7 of 11 members of MWAA's Board of Directors.

MWAA's general manager may authorize exceptions to procurement procedures when there is an urgent or critical need. All such exceptions must be documented and justified in writing to the Board of Directors.

# Procedure for Awarding Architectural/ Engineering (Design) Contracts

MWAA uses what it calls the request for qualifications (RFQ) method to solicit and award architectural/engineering (design) contracts. Under this method, which is similar to federal procedures under the Brooks Act, a request-for-qualifications notice is published in the same manner as the RFP discussed in appendix I. The purpose of the request for qualifications is to identify those firms most qualified to do the work. The request for qualifications describes specific evaluation criteria needed to assess the firms' qualifications to design a particular project. These criteria vary depending on the nature of the contract and are developed for each contract solicitation by the office seeking the service in conjunction with the contracting officer. The evaluation criteria do not generally include price information. For example, a contract to design and build a commissary building at Dulles was awarded, in part, on the basis of an offeror's cumulative score on the following criteria:

- specialized experience in related design and construction, including design of airport facilities and food-handling and warehousing facilities;
- availability and qualifications of personnel assigned to the work, including training certificates and/or licenses earned by assigned staff members;
- ability of the contractor to accomplish the work in the required time;
- quality of previous performance with respect to schedule and cost control of projects designed and built;
- contractor's recent experience designing and building facilities similar to those proposed; and
- meeting a 25-percent local Disadvantaged Business Enterprise (DBE) participation goal.

The qualifications of each firm responding to the solicitation are then evaluated by a panel of MWAA officials. The panel may include the contracting officer as a nonvoting member, the contracting officer's technical representative, an engineer, and an Office of Equal Opportunity Programs representative. The panel members assign a raw score to each criterion and rank the firms according to their cumulative scores. The top-ranked firms are then asked to participate in an oral interview. The cut-off point for selecting the top-ranked firms is determined by what MWAA officials consider to be a clear break in scores. Therefore, the number of firms considered to be in the top rank is not predetermined. After the oral interviews, panel members may adjust the original evaluation scores on the basis of information obtained and rerank the firms accordingly. If the general manager approves the final top-ranked firm, a recommendation is made to the planning committee of the Board of Directors or to the full board, depending on the estimated cost of the

contract. An RFP is then issued to the top-ranked firm, and price negotiations begin immediately.

# Major Airport Authorities Contacted

Cincinnati, Ohio-Kenton County Airport Board (Greater Cincinnati Airport), Ohio

Greater Orlando Aviation Authority (Orlando International and Orlando Executive airports), Florida

Hillsborough County Aviation Authority (Tampa International, Peter O. Knight, Plant City, and Vandenberg airports), Florida

Indianapolis Airport Authority (Indianapolis International Airport, Eagle Creek Airpark, Metropolitan Airport, Speedway Airport, Mt. Comfort Airport, and Downtown Heliport), Indiana

Massachusetts Port Authority (Logan International Airport and L.G. Hanscom Field)

Memphis-Shelby County Airport Authority (Memphis International, General Dewitt Spain, and Charles W. Baker airports), Tennessee

Metropolitan Nashville Airport Authority (Metropolitan Nashville, John C. Tune, Smyrna, and Springfield airports), Tennessee

Minneapolis/St. Paul Metropolitan Airports Commission (Minneapolis/St. Paul International, Flying Cloud, Crystal, Anoka, Lake Elmo, St. Paul Downtown, and Airlake airports), Minnesota

Port Authority of New York and New Jersey (John F. Kennedy International, LaGuardia, Newark, and Teterboro airports)

Port of Oakland (Metropolitan Oakland International Airport), California

Port of Portland (Portland International, Hillsboro, and Troutdale airports), Oregon

Port of Seattle Commission (Sea-Tac International Airport), Washington

Salt Lake City Airport Authority (Salt Lake City International and Salt Lake City II airports), Utah

San Diego Unified District (San Diego International Airport), California

# Procedures for Awarding Contracts for Concessions

MWAA's Commercial Programs Office has not developed standard written procedures for internal use in awarding contracts for commercial services. The office develops procedures on a case-by-case basis, depending on the nature of the service. In most instances, the office develops the procedures after conducting a market analysis of the service that is being sought or renewed. However, the process is always competitive.

The process actually begins about a year before the contract is awarded, when officials from the Commercial Programs Office conduct an evaluation and analysis of the scope, quality, and financial performance of a service to be obtained. The purpose of this review is to determine whether the current service is meeting the needs of the airport's users or whether the services can be improved. Once the evaluation is completed, a final report with recommendations is prepared and used to formulate the RFP. The RFP may include any new concepts and marketing approaches identified during the market analysis, such as providing greater variety and improved quality.

After the RFP is developed, it is mailed to a list of concession vendors, including both national and local firms, maintained by the Commercial Programs Office. The RFP is also advertised in The Washington Post, other major newspapers across the United States, journals, and industry publications.

The Commercial Programs Office forms an evaluation panel composed of five to seven MWAA senior administrative officials to evaluate, score, and rank each proposal received in response to the RFP. The panel is chaired by a representative from the Commercial Programs Office; representatives from the Office of Legal Counsel, Office of Internal Audit, and Office of Equal Opportunity Programs serve as nonvoting members. The panel develops the criteria and the point value for each criterion. The evaluation criteria depend on the nature of the service being considered. For example, in scoring the proposal for the gift shop concession contract at National, the panel used criteria such as (1) merchandise and pricing; (2) facility and operating facilities; (3) qualifications, demonstrated past performance, and experience of the proponent and proposed managers and key personnel; (4) operations; (5) amount of revenue to MWAA; and (6) DBE participation.

After the panel scores and ranks each proposal, panel members may conduct oral interviews with the top-ranked firms. In some instances, site visits are made to the firms before the oral interview. After the oral

interviews are completed, the firms are ranked again and a recommendation is made to MWAA's General Manager to extend a contract offer to the final top-ranked firm. If the General Manager approves, the recommendation is made to the Operations Committee of the Board of Directors or the full board depending on the value of the contract.

# Scope and Methodology

To determine whether contracts awarded by MWAA are the result of a full and open competitive process, we obtained data from MWAA on each contract awarded through its Procurement Operations Branch in fiscal years 1989, 1990, and 1991. We also obtained a listing of all concession contracts currently in force. We did not obtain information on small purchase contracts[1] because they are handled by the individual airports.

We examined contract files and records pertaining to the solicitation and award of (1) all contracts for goods, services, and construction that were valued at $1 million or more and awarded in fiscal years 1989, 1990, and 1991 and (2) all concession contracts currently in force.

Since MWAA is currently in the process of obtaining approval for its draft written procedures for awarding contracts for goods, services, and construction worth over $200,000, we relied on the draft contracting procedures, MWAA's procurement policy manual, and discussions with senior procurement and management staff to gain an understanding of MWAA's procedures for soliciting and awarding its contracts. These procedures are outlined in appendixes I, II, and IV.

We reviewed each contract file to determine what actions MWAA's contracting officials took when soliciting and awarding each contract. We compared these actions with the MWAA procedures we had outlined to determine whether the solicitation and awards process for each contract was followed. We also discussed with MWAA officials any questionable practices we identified and clarified our understanding of actions taken by the various contracting officials.

To determine whether MWAA's practice of limiting solicitation advertisements to local areas is consistent with practices at other major airport authorities, we conducted a telephone survey of procurement officials representing airport authorities with at least two million annual enplanements. Appendix III provides a list of the airport authorities we contacted.

We performed our work between March and September 1992 in accordance with generally accepted government auditing standards.

[1]MWAA considers all contracts for goods and services costing less than $25,000 and construction contracts worth under $2,000 as small purchases.

# Major Contributors to This Report

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