

RESPONSE TO REQUEST
FOR ADDITIONAL REVIEW

COMPETITIVE BIDDING OF CONTRACTS
COMMITTEE OBSERVATIONS
DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

PREPARED FOR
THE DETROIT METRO AIRPORT REVIEW COMMITTEE

February 21, 2001

The Honorable Glenn D. Steil
Michigan Senate
Chair, Detroit Metro Airport Review Committee
1020 Farnum Building
Lansing, Michigan

Dear Senator Steil:

This special report is in response to the June 6, 2000 letter from the Joint Legislative Select Committee on the Wayne County Detroit Metropolitan Airport requesting a more detailed review of the Detroit Metropolitan Wayne County Airport. This special report contains our response to one question in the general issue area of competitive bidding of contracts.

Specifically, that Committee asked us if the observations noted in its request were accurate and supported by the material in the preliminary review.

Our procedures were of limited scope. Therefore, our review should not be considered an audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

We are available to present this special report to the Detroit Metro Airport Review Committee upon request. If this is the Committee's desire or if you have any questions or concerns regarding this review, please contact me.

AUDITOR GENERAL

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OVERVIEW

The Office of the Auditor General performed a preliminary review of the Detroit Metropolitan Wayne County Airport in the general issue area of competitive bidding of Airport contracts. The preliminary review, dated March 16, 2000, identified a number of contracting irregularities, ranging from a lack of necessary documentation for evidence of compliance with competitive bidding requirements to a lack of administrative oversight.

SCOPE OF REVIEW

Our procedures were of limited scope. Therefore, our review should not be considered an audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

We reviewed the letter dated June 6, 2000 from the Joint Legislative Select Committee on the Wayne County Detroit Metropolitan Airport.

We also reviewed our Preliminary Review of Competitive Bidding of Contracts, Detroit Metropolitan Wayne County Airport, dated March 16, 2000.

In addition, we reviewed the Committee's observations and compared them to our preliminary review report and working papers to determine if the observations were accurate and supported by the preliminary review report.

COMMENTS

Request:

Are the observations noted in the Committee's June 6, 2000 letter accurate and supported by the material in the preliminary review?

Committee Observations:

1. Contract Solicitation

"Of the 35 contract files analyzed for '*evidence of competitive bidding*,' almost one-sixth contained no Request For Proposal (RFP) to document the Airport's efforts to solicit qualified bidders. (Report, page 9.)"

2. Competition for Contracts

"About two-thirds of the Airport's contract files examined contained some '*internal Airport declaration*' that multiple bidders had competed for the contract, while little more than 80 percent of the contract files claiming multiple bidders contained some '*independent evidence*' (i.e., proposals submitted by outside parties) that multiple parties had competed for the contract. Three of the 35 contracts reviewed received only one bid, and two others were awarded on either a single source or a nonexclusive basis. (Report, page 9.)"

3. Publicizing Contract Solicitation

"Sixty percent of these contract files contained no evidence to document that the RFPs were publicized through advertisements in newspapers, trade journals, etc. Six of these files contained some indication of advertisement, but there was no evidence in those files to support that the advertisements had ever been published. (Report, page 10.)"

4. Contract Renewals

- a. "In an effort to evaluate the Airport's practice of renewing and extending vendor contracts, the report identified eight concession contracts and seven perpetual service contracts. Of these contracts, all but two were extended at least once beyond their original contract period. Six of the 13 were extended four or more times for up to as many as 42 years. Roughly one-third of these 40 extensions associated with the 15 contracts never received approval by either the Wayne County Commission (Commission) or its predecessor, the Wayne County Road Commission. (Report, page 11.)"

- b. "We note with particular interest the report's revelation that the same contractor was *'routinely granted a renewal or extension of his/her existing contract beyond the original contract period,'* and the Auditor General's subsequent criticism that *'sound public policy dictates that both concession and perpetual service contracts should be competitively bid at their inception and periodically re-bid... [T]o ensure the optimal mix of quality, service, selection, and price for consumers and revenue for the Airport.'* (Report, pages 10-11.)"

5. Wayne County Commission Approval

- a. "The preliminary review states that some Wayne County ordinances *'clearly require'* Commission approval for certain airport contracts and that most, if not all, of the contracts reviewed for *'evidence of Wayne County Commission approval'* constituted a *'major'* contract. Yet, the report indicated that it was not consistently clear which county ordinances required Commission approval for a particular agreement or extension period. (Report, page 13.)"
- b. "Forty-two contract files were examined for evidence of Wayne County Commission approval. Of these contracts, more than one-third had at least one extension period and more than one-fifth had two or more extension periods. The Airport apparently provided documentation that just over half of the 92 total agreement *'periods'* associated with these contracts received County Commission approval and a little less than one-fifth received Wayne County Road Commission approval. The Airport indicated (without comment by the auditors) that Commission approval was not required for about one-tenth of the agreement periods examined. The Airport's response, therefore, provided no documentation that the remaining 16 percent of the agreement periods ever received Commission approval or were otherwise exempt from this requirement. (Report, page 13.)"

6. Difficulty in Obtaining Requested Information

"The preliminary review also chronicles the Auditor General's frustration with the Airport since the review began on August 20, 1999. The report chronicles how auditors have had to request certain pieces of information several times. Other questions and requests for information have not been completely answered by the Airport. For example, the preliminary review indicates that, as of the date the report was issued, the Auditor General's staff had

not yet received documentation as to why Commission approval was not obtained for 14 separate agreement periods. (Report, pages 13-15.)"

Procedure:

We reviewed the Committee's observations and compared them to our preliminary review report and working papers to determine if the observations were accurate and supported by the preliminary review.

Comment:

The aforementioned observations of the Committee are accurate and supported by the material in the preliminary review.

With regard to the Committee's observations on "Contract Solicitation" and "Publicizing Contract Solicitation," we accurately reported that the Airport's files did not contain evidence that solicitation for contracts was advertised for 21 (60%) of the 35 contracts reviewed. Further, 6 (17%) of the 35 files contained no invitation for bids (IFB), request for proposal (RFP), or request for qualifications (RFQ) to document the Airport's efforts to solicit qualified bidders.

We originally requested documentation of publicized contract solicitations (IFB, RFP or RFQ) for the 35 contracts on September 29, 1999. However, our more detailed review led the Airport to research back issues of the *Michigan Chronicle* to find evidence of publicized contract solicitations. On February 6, 2001, the Airport provided evidence of publicized contract solicitations for 6 of the 21 contracts. On February 8, 2001, the Airport provided evidence of publicized contract solicitations for 3 more of the 21 contracts. The 9 contracts include:

1. American International, Inc. - Toilet Room Renovations
2. American International, Inc. - Runway Concrete Replacement
3. Waterland Trucking Service, Inc. - Employee Parking Lot Expansion
4. The Program Managers Team - Construction Management
5. Johnson, Johnson, and Roy (JJR), Inc. - Crosswinds Marsh Wetland Preserve
6. Ghafari & Associates - Residential Sound Insulation Program
7. Giffels Hoyem Basso Associates, Inc. - Runway/Lighting NAVAIDS Study
8. Giffels Hoyem Basso Associates, Inc. - Master Utility Project
9. American International, Inc. - Airfield Lighting and Signage

Two of these contracts, Johnson, Johnson, and Roy (JJR), Inc. - Crosswinds Marsh Wetland Preserve and Giffels Hoyem Basso Associates, Inc. - Master Utility Project, were originally included among the 6 files that contained no IFB, RFP or RFQ.

In summary, after the Airport's discovery of publicized contract solicitations for the 9 contracts, there remain 12 of the 35 contract files that contained no evidence that contract solicitations were publicized in newspapers, trade journals, etc. Also, there remain 4 of the 35 contracts that contained no IFB, RFP or RFQ to document the Airport's efforts to solicit qualified bidders.

Airport Response:

A draft of this report was shared with the Airport on January 9, 2001. On February 13, 2001, the Airport responded to one aspect of the report.

With regard to the remaining 4 contracts where no IFB, RFP, or RFQ exists to document the Airport's efforts to solicit qualified bidders, the Airport contends that 2 of the 4 contracts do not require an IFB, RFP or RFQ. The Airport stated that the Farbman Group contract was an amendment to the Farbman/Stein contract and that the Airport chose not to separately bid out the additional services awarded to the Farbman Group. In addition, the Airport believes that the contract with Torre & Bruglio, Inc. - Emergency Snow Removal should not have been counted as one of the 35 contracts lacking an IFB, RFP or RFQ because, by definition, emergency contracts are not required to be bid. Thus, only 2 of 33 contracts reviewed were issued without an IFB, RFP or RFQ.