



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

Resources, Community, and
Economic Development Division

B-270920

March 15, 1996

The Honorable Hank Brown
United States Senate

To build the Denver International Airport (DIA), the city and county of Denver (hereinafter referred to as the city) awarded 321 prime contracts, valued at about \$2.96 billion.¹ Thirty-six of these contracts were paid in part with federal grant funds that the Federal Aviation Administration (FAA) provided through the Airport Improvement Program (AIP).² Federal grants were also used to purchase land at the airport site. On August 9, 1995, in response to your request, we issued a report that included a discussion of the contracting practices for DIA.³

In January 1996, you requested that we provide you with additional information about DIA's contracting practices. As agreed with your office, this report addresses the following questions: (1) What were the bases for awarding the contracts at DIA that were paid for entirely or in part with federal funds?

¹This amount does not include purchases of land for the airport site totaling \$241 million or purchase orders totaling about \$24 million. The 321 prime contracts were of three principal types: construction (136 contracts); professional services such as overall project management, airfield design, and engineering (99 contracts); and other services and projects such as pipeline relocations, insurance, and art work (86 contracts).

²As of February 15, 1996, FAA had allocated about \$371 million in federal AIP grants to help the city build the airport. This amount includes \$10 million for grading and drainage of a sixth runway at DIA. FAA plans to provide additional grants of about \$55 million for fiscal years 1998 and 1999 under a letter-of-intent agreement that FAA and the city signed in 1990; however, the availability of these funds depends on congressional appropriation.

³Denver International Airport: Baggage Handling, Contracting, and Other Issues (GAO/RCED-95-241FS, Aug. 9, 1995).

(2) What processes and standards did the city use to award the contracts that were not paid with federal funds? and (3) To what extent, if any, were contracts not competitively bid or not awarded solely on the basis of the prices submitted by the prospective vendors?

BASES AND PROCESSES FOR AWARDING
CONTRACTS PAID WITH FEDERAL FUNDS

All 17 construction contracts paid in part with AIP funds were competitively advertised and awarded to the lowest responsive, responsible bidder.⁴ The 16 professional services contracts, 3 of the pipeline relocation contracts, and the land purchases were generally negotiated agreements between the city and the prospective contractor.⁵ The selection of the professional services contractors was based on federal and local criteria that stress the contractors' experience and ability to provide these services at a fair and reasonable price. There was no requirement to award these contracts solely on the basis of the price estimates submitted by the contractors.⁶ (See enc. I for a summary of the procedures used by the city to award professional services contracts.)

BASES AND PROCESSES FOR AWARDING
NONFEDERALLY FUNDED CONTRACTS

The majority of DIA's nonfederally funded prime construction contracts (110 of 119) were competitively advertised and awarded to the lowest responsive, responsible bidder. All 83 of the nonfederally funded prime contracts for professional services were negotiated agreements based on the same federal and local criteria as those applied to the professional services contracts paid for with federal funds. The 83 nonfederally funded contracts for "other

⁴DIA awarded most of its construction work as firm-fixed-price contracts, according to city officials. Federal regulations [49 C.F.R. § 18.36(d)] generally require that such contracts be competitively advertised and awarded to the lowest responsive, responsible bidder.

⁵The contracts for pipeline relocations were awarded and priced in conformity with court orders, according to city officials.

⁶The process used for the negotiated agreements was approved by FAA and prescribed in the New Denver Airport Program Procedures Manual. DIA's process and procedures for awarding professional services contracts is derived from the Brooks Architects-Engineers Act (40 U.S.C. §§ 541-544) and FAA's policy guidance.

services and projects" were awarded on the basis of a variety of factors, including the lowest bid, a negotiated price, and requirements under court orders.

FEDERAL AND NONFEDERALLY FUNDED
CONTRACTS THAT WERE NOT REQUIRED TO
BE AWARDED SOLELY ON THE BASIS OF PRICE

While the city competitively advertised most of its prime construction contracts, it awarded nine of these contracts on the basis of several factors--not just price. According to city officials, these nine contracts were for projects that were time critical, such as the alternative baggage system, or for "high technology" systems involving performance specifications and in some cases the use of the contractors' proprietary systems.⁷ These contracts were valued at about \$337 million, or about 13 percent of the total \$2.58 billion involved in construction contracts. None of these nine contracts were paid with federal funds. (See enc. II for a description of these contracts and the basis for awarding them.)

In addition, the city awarded 81 prime contracts, valued at about \$61 million, for other services and projects on the basis of factors other than just price. Forty-six of these were art contracts valued at about \$7 million; these were awarded on the basis of competitive evaluations of the concepts by the city's Art Steering Committee.⁸ The remaining 35 contracts were awarded on the basis of a number of other factors. (See enc. III for a description of these contracts and the basis for awarding them.)

The city also used purchase orders for a wide range of items such as supplies, equipment, furniture, signage, minor repairs, and guard rails. The city issued 168 purchase orders, valued at about \$24 million, to build the airport and ready

⁷According to city officials, most of the prime construction contracts for work at DIA were awarded in accordance with section 8.5 of the New Denver Airport Program Procedures Manual. The procedures generally specify the selection of the contractor that submits the lowest responsive bid. However, the manual is designed as a guide; exceptions to these procedures can be made as circumstances dictate.

⁸According to officials, the art contracts were exempted from normal bidding requirements by provision 20-61 of the Denver Revised Municipal Code and were awarded consistent with policies and procedures described in the Denver International Airport Art Master Plan.

it for opening. According to officials, purchase orders valued at about \$20 million were awarded on the basis of low bid, regulatory, or franchise requirements.⁹ Officials told us that the remaining purchase orders were issued on a sole-source basis to procure time-critical items necessary to meet the airport's opening day schedule.¹⁰

We obtained information for this report from our existing files, documents obtained from the city, and interviews and discussions with various city officials during January and February 1996. We focused our work on the prime contracts at DIA because the prime contractors' basis for awarding subcontracts cannot be readily determined, except for subcontracts involving disadvantaged businesses. Neither the city nor FAA requires prime contractors to disclose their process for awarding contracts or the details of the contracts, such as price.

We provided copies of a draft of this report to the city of Denver and discussed its contents with city officials, including the Director of Aviation and Deputy Director of Aviation. The officials agreed that the information was accurately and fairly presented. As a result of their comments, we clarified wording in the report to better distinguish between nonfederally and federally funded contracts.

⁹Regulatory requirements included court-ordered payments and fines arising from environmental requirements. The city also had a franchise agreement with Public Service of Colorado, a power utility, establishing the rates for connecting electrical power to the airport.

¹⁰According to city officials, sole-source purchases were made in accordance with requirements of provision 20-64(b)(1) of the Denver Revised Municipal Code and with the concurrence of the city's Manager of General Services.

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We are sending copies of this report to the Secretary of Transportation; the Administrator, Federal Aviation Administration; and city of Denver officials. We will also make copies available to others on request. Please call me at (202) 512-3650 if you have any questions about this report. Major contributors to this report included Charles Chambers, Cynthia Rasmussen, William Temmler, and Randy Williamson.

Sincerely yours,

A handwritten signature in cursive script that reads "Gerald Dillingham". The signature is written in black ink and is positioned above the printed name and title.

Gerald L. Dillingham
Associate Director, Transportation and
Telecommunications Issues

DIA'S PROCEDURES FOR AWARDING PROFESSIONAL SERVICES CONTRACTS

Section 8.4 of the New Denver Airport Program Procedures Manual describes the process for awarding professional services contracts. According to city officials, all professional services contracts are awarded using this process. To date, the total value of these contracts for DIA is about \$269 million.

Step 1 – Application

The city prepares and issues a request for qualifications (RFQ), which is advertised in local newspapers annually. The RFQ provides information to applicants interested in providing architectural, engineering, construction inspection, and material testing services for the airport. Applicants are required to prepare and submit a statement of qualifications, which includes a federal standard form 254, for evaluation. Applicants are asked to choose the type and value of contracts for which they wish to be considered.

Step 2 – Ratings

The city's Director of Aviation appoints an evaluation selection committee to review and rate the applicants using predetermined criteria. The applicants are rated according to their past performance, current capability, and overall expertise.

Step 3 – Ranking

After all of the applicants have been rated, they are ranked according to their numerical scores. The results are displayed on a "qualifications matrix," which shows the numerical ranking by the contract's type and value category.

Step 4 – Selection of Finalists

The top-ranked firms are then selected to receive a contract-specific request for proposal (RFP). The number of finalists selected depends on the size of the contract. For contracts of a certain type with a value under \$500,000, the city can choose the top-ranked firm and ask for a detailed proposal. For contracts of \$500,000 or more, the city can select from three to five firms as finalists.

Step 5 – Proposal Review

The city issues an RFP to the finalists and asks for a detailed proposal within a specified time. The RFP includes the specifics of the contract and affirmative action requirements. For contracts under \$500,000, for which there is only one finalist, the city reviews the contractor's proposal and starts the contract negotiation. For contracts over

\$500,000, involving three to five finalists, the selection committee reviews each proposal and interviews each finalist. Based on the review and interviews, the committee prepares a numerical ranking of the finalists and recommends that the city negotiate with the top-ranked contractor.

Step 6 – Negotiations

During negotiations, the Project Management Team¹ meets with the contractor to finalize the scope of work and make financial arrangements. If a final agreement cannot be reached, the city may issue a notice of cancellation and begin negotiations with the next highest-ranking contractor.

Step 7 – Contract Award

Once the negotiations are completed and agreement has been reached, the contract is (1) signed by the contractor, (2) reviewed at various levels within the city, and (3) submitted to the City Council for approval. Once approved, the contract is signed by key city officials.

¹The design and construction process at DIA was organized under a Project Manager System, wherein the city joined with a joint-venture engineering, architecture, and airport-design firm. Together, they acted as a Project Management Team to coordinate and ensure the quality of the work performed by the prime contractors and subcontractors.

PRIME CONSTRUCTION CONTRACTS AT DIA THAT WERE NOT AWARDED
SOLELY ON THE BASIS OF PRICE

The city awarded nine of DIA's prime construction contracts (for work on eight projects) on the basis of factors other than just price. In selecting these time-critical design/build contracts, officials said they reviewed each contractor's proposal, considering factors such as price and the contractor's expertise, proven performance, and previous experience with similar systems. The final selection was made by a panel and approved by the Mayor and City Council, according to officials. Key information for each contract is summarized below.

Project or service and contract number	Contractor and contract amount	Basis for contract award
Automated baggage system F300 B	BAE Automated Systems \$193,550,536	This contract was awarded to BAE after proposals from three other vendors were declared nonresponsive to the request for proposal. The city invited BAE to make a separate proposal on the basis of its ability to design and construct an airportwide system consistent with United Airlines' performance requirements for Concourse B.
Premise wiring F200 A	US West Communications \$36,079,272	DIA received proposals from six vendors for this design/build project. The award was based on the contractor's price, schedule, proposed design, qualifications, and wire/fiber mix.
Parking revenue control F146 A	Maris Equipment Company \$7,229,246	DIA received proposals from three vendors for this design/build project. The award was based on the contractor's price, schedule, proposed design, and ability to meet the goals for disadvantaged businesses.

Security system F204 A F205 A	Cardkey System, Inc. \$5,754,894 \$9,192,245	DIA received proposals from three vendors for this design/build project. The award of these two contracts was based on the contractors' price, schedule, proposed design, and ability to meet the goals for disadvantaged businesses.
Fire alarm system F203 A	Allwest Fire and Sound, Inc. \$13,168,786	DIA received proposals from four vendors for this design/build project. The award was based on the contractor's price, schedule, proposed design, and ability to meet the goals for disadvantaged businesses.
Voice paging system F202 A	Ford Audio-Video \$9,037,742	DIA received proposals from three vendors for this design/build project. The award was based on the contractor's price, schedule, proposed design, and ability to meet the goals for disadvantaged businesses.
Radio frequency distribution system F206 A	Andrew Corporation \$5,846,280	DIA received proposals from two vendors for this design/build project. The award was based on the contractor's price, schedule, proposed design, and ability to meet the goals for disadvantaged businesses.
Alternative baggage system F310 A	Rapistan \$57,336,567	DIA received proposals from two vendors for this design/build project. The award was based on the contractor's price, schedule, proposed design, and qualifications.

**PRIME CONTRACTS AT DIA FOR OTHER SERVICES AND PROJECTS THAT WERE
AWARDED ON THE BASIS OF FACTORS OTHER THAN JUST PRICE**

Of the 83 prime contracts that the city awarded for other services and projects at DIA, 35 (excluding the art contracts) were awarded on the basis of factors other than just price. Key information on these contracts, including the basis for the award, is summarized below.

Contract number and project or service	Contract amount	Basis for contract award^a
O003 A, AMOCO pipeline relocation ^b	\$2,940,265	Court ordered
O007 A, Koch pipeline relocation	\$873,976	Court ordered
O008 A, Panhandle pipeline relocation ^b	\$5,165,771	Court ordered
O011 A, Phillips pipeline relocation ^b	\$1,543,201	Court ordered
O015 A, Fish and Wildlife bald eagle study	\$31,684	Sole source
O020 A, ambient air monitoring plan	\$337,000	Competitive proposal
O020 C, ambient air monitoring plan	\$19,125	Competitive proposal
O022 A, investigative services	\$14,515	Competitive proposal
O022 B, investigative services	\$70,704	Competitive proposal
O024 B, groundwater monitoring	\$192,412	Competitive proposal
O025 A, historical buildings registration	\$92,306	Competitive proposal
O030 A, Native American archeology	\$35,000	Competitive proposal
O031 A, lobbyist support	\$102,774	Competitive proposal
O032 A, public relations	\$70,000	Competitive proposal
O033 A, airport outreach program	\$787,574	Allowance
O034 A, Greater Denver Corporation	\$77,083	Competitive proposal
O035 A, financial consultants	\$521,371	Competitive proposal
O037 A, prairie dog rescue	\$3,000	Sole source
O038 A, fire support	\$1,673,732	Allowance
O039 E, minority bonding program	\$595,124 ^c	Sole source
O040 A, executive assessment	\$72,070	Sole source

O040 B, activation management	\$179,276	Sole source
O041 A, hearings officer	\$57,794	Competitive proposal
O041 B, hearings officer	\$50,000	Competitive proposal
O042 A, opening day activities	\$210,000	Allowance
O044 A, investigation of fatal accident	\$32,459	Sole source
F500 A, Buckley Road interchange	\$5,400,600	Intergovernmental agreement
F501 A, payment to Front Range Airport	\$8,000,000	Intergovernmental agreement
M105 A, Owner Controlled Insurance Program (OCIP) management #1	\$225,000	Competitive proposal
M105 B, OCIP management #2	\$3,058,000	Competitive proposal
M105 D, OCIP consultant	\$1,573	Competitive proposal
M105 F, OCIP consultant	\$3,150	Competitive proposal
M105 G, OCIP consultant	\$1,370	Competitive proposal
M111 A, OCIP letter of credit fees	\$404,975	Competitive proposal
M112 A, OCIP system maintenance/support	\$31,014	Competitive proposal

^aThese contracts were awarded on five bases: competitive proposal, sole source, court orders, allowance, and intergovernmental agreements. The contracts awarded on the basis of competitive proposals followed the same award process described in section 8.4 of the New Denver Airport Program Procedures Manual. For pipeline relocations contracts, DIA was required to reimburse pipeline owners for their relocation costs under court-ordered condemnation proceedings. In other contracts, DIA provided allowances to providers of various services. These allowances were for services administered or contracted for by another city department.

^bThese contracts were paid for in part with federal grants.

^cThis contract was an agreement with an insurance company to provide bonding insurance for minority contractors. The fee (to the insurance company) was paid by the contractors participating in this program.

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