

**Performance Audit:
Aviation Fixed Base
Operator Solicitation**

February 2007

**City Auditor's Office
City of Atlanta**



CITY OF ATLANTA

City Auditor's Office
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Why We Did This Audit

The Chairperson of the City Council's Transportation Committee requested the review of the Fixed Base Operator solicitation (FC-6005007899). The committee had held proposed legislation to award this contract to Signature Flight Support pending additional information and the resolution of a protest from an unsuccessful bidder, Mercury Air Centers, Inc.

What We Recommended

Our recommendations are intended to assist the city in selecting a fixed base operator through a fair and competitive procurement process and strengthen procurement practices where generally applicable.

We recommend the Chief Procurement Officer:

- Clarify procedures for determining proponents' responsibility and responsiveness and ensure they are followed.
- Implement appropriate controls over solicitation files.
- Issue a request for qualifications and solicit a hard bid for a fixed base operator.
- Bid improvements to fixed base operator facilities separately.

For more information regarding this report, please contact Amanda Noble at 404.330.6750 or anoble@atlantaga.gov.

Performance Audit:

Aviation Fixed Base Operator Solicitation

What We Found

We cannot reconstruct all of the events that occurred in this solicitation because procurement's original support files are missing and three key staff members are no longer with the city. Lack of documentation and questions about the evaluation raise concerns about the fairness of the process.

Although the nature of the work requested and evaluation criteria were largely unchanged between the first and second solicitations, the evaluations yielded much different results. In the first solicitation, 1 point out of a possible 195 points separated the top two proponents, while in the second their scores were separated by 61 points out of a total of 340 possible points.

Specifically, we found:

- The request for proposals did not provide instructions on how to complete the summary of the financial offer.
- The RFP did not describe how all submissions would be evaluated, such as the proposed facility improvements.
- The firms' financial capabilities were evaluated on different criteria than those in the RFP.
- Procurement did not provide guidance or instructions to the evaluators.
- Evaluators may have been swayed by implicit criteria or felt pressured to inflate small differences after the first solicitation failed.

We made recommendations to improve the evaluation process in our March 2006 performance audit, *Procurement Solicitation and Evaluation*. The chief procurement officer agreed with the recommendations and has taken steps to implement them. This case further illustrates the importance of ensuring that departments understand and follow the new procedures.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation: 1. **The chief procurement officer should clarify procedures for determining proponents' responsibility and responsiveness and ensure they are followed.** The Department of Procurement (DOP) uses certain criteria that are often pass/fail to determine the responsibility of proponents. We recommend chief procurement officer ensure the department complies with these procedures and eliminates proposals that fail any criteria from further consideration. We also recommend that the department score these criteria prior to sending the proposals to the user department for technical evaluation. The elimination of these proposals would provide for more effective use of evaluators' time.

The contracting officer is responsible for identifying and rejecting proposals that are clearly non-responsive, incomplete, or otherwise unacceptable. We recommend the DOP follow this procedure. In some cases, non-responsiveness may not be obvious to the contracting officer who is not required to do a detailed review of each proposal. As a result, we also recommend that the chief procurement officer clarify the role of the user department and evaluators in assessing the responsiveness of proposals when non-responsiveness may be unclear. The chief procurement officer should develop procedures for user agencies and evaluators to report and reject proposals that they deem non-responsive. These recommendations could improve the effectiveness of the evaluation process.

Department: Department of Procurement ("DOP") **Agree**

Response & Proposed Action: The DOP immediately instituted additional training procedures for evaluators on the factors determining whether proposals are non-responsive or non-responsible. Additionally, the department will revise and update its SOP to improve and clarify the responsibilities for determining the responsiveness of proposals.

Timeframe: Immediately. The DOP now provides additional training to evaluators on the factors that would determine a solicitation non-responsive/non-responsible.

Recommendation: 2. **The chief procurement officer should implement appropriate controls over solicitation files.** We recommend the chief procurement officer document and immediately implement new procedures to secure all solicitation files in order to prevent files from being lost in the future.

Department: Department of Procurement **Agree**

Response & Proposed Action: The DOP immediately instituted additional policies and procedures as controls to its existing file maintenance system. We also took remedial action against the employee who failed to follow the controls already in place to maintain the control of solicitation files, and we immediately implemented additional controls to improve the current system so to prevent this from happening again.

Timeframe: Immediately

Recommendation: 3. **The chief procurement officer should issue a request for qualifications and solicit a hard bid for a fixed base operator.** Due to the history of the Fixed Base Operator solicitation, the issuance of a third RFP may not overcome any lasting perceptions of bias. We recommend the Department of Procurement and Department of Aviation (DOA) issue a request for qualifications and a solicitation for a hard bid in lieu of a third RFP. The chief procurement officer should ensure the evaluation team includes members not connected with DOA.

Department: Department of Procurement **Agree**

Response & Proposed Action: The DOP agrees to issue a Request for Qualifications and solicit a hard bid for the next solicitation.

Timeframe: Immediately

Recommendation: 4. **The chief procurement officer should bid capital improvements for the Fixed Base Operator facility in a separate contract.** We recommend the chief procurement officer request bids for capital improvements planned for Fixed Base Operator facility as a separate renovation project to obtain a fair and competitive price.

Department: Department of Procurement **Agree**

Response & Proposed Action: The DOP agrees to issue a bid for the capital improvements in a separate contract.

Timeframe: Immediately



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February 14, 2007

Honorable Mayor and Members of the City Council:

We conducted this audit at the request of the Chairman of the City Council's Transportation Committee to provide insight and recommendations on the proposed legislation to award the fixed base operator contract. The committee had held the legislation pending additional information and the resolution of a protest from an unsuccessful bidder. The Department of Procurement canceled the solicitation during our review.

Our review of the solicitation history, completed in December 2006 and January 2007, could not reconstruct all of the events that occurred because procurement's original files are missing and three key staff members are no longer with the city. This lack of documentation along with questions about the evaluation raised concerns about the fairness of the process.

Our recommendations are intended to assist the city in selecting a fixed base operator through a fair and competitive procurement process and strengthen procurement practices. The Department of Procurement agreed with our recommendations, and their responses are appended to the report.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. Two members of the committee did not participate in the review because of potential conflicts of interest. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Amanda Noble, George Peoples, Jeremy Weber, Dawn Williams, and Eric Palmer.

Leslie Ward
City Auditor

Don Penovi
Audit Committee Member

Aviation Fixed Base Operator Solicitation

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Introduction

We conducted this audit pursuant to Chapter 6 of the Atlanta City Charter, which establishes the City of Atlanta Audit Committee and the City Auditor's Office and outlines the City Auditor's Office primary duties.

A performance audit is an objective, systematic examination of evidence to assess independently the performance of an organization, program, activity, or function. The purpose of a performance audit is to provide information to improve public accountability and facilitate decision-making. Performance audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal control; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.¹

We conducted this review of the Fixed Base Operator solicitation (FC-6005007899) at the request of the Chairperson of the City Council's Transportation Committee. The committee had held proposed legislation to award this contract to Signature Flight Support pending additional information and the resolution of a protest from an unsuccessful bidder, Mercury Air Centers, Inc. To ensure that due consideration was given to this proposed legislation, the committee requested the city auditor to review the solicitation process for this contract and provide insight and recommendations.

Background

The city awarded the initial lease for the airport's fixed base operation in December 1960. The lease had a 30-year term with an additional 10-year renewal option. The city renewed the lease in March 1992. Mercury Air Centers, the current operator, purchased the lease from the previous incumbent in 1996. The lease expired in March 2002. Since then, Mercury Air Centers has continued to operate the fixed base operation on a month-to-month lease under the terms of the expired contract.

¹ Comptroller General of the United States, *Government Auditing Standards*, Washington, DC: U.S. Government Accountability Office, 2003, p. 21.

In October 2003, the Department of Procurement issued the first request for proposals (RFP) to solicit proposals for the airport's Fixed Base Operator services.² Twelve proponents responded to the RFP, although two were disqualified. By August 2004, the Department of Aviation had completed its evaluation of the remaining ten proposals and recommended the contract be awarded to Signature Flight Support. However, based on scores from all city departments involved in the evaluation process, procurement determined that Jet Center Aviation Group was the highest-ranked proponent and initiated negotiations with the group in October 2004. JetServe Atlanta LLC, Mercury Air Centers, and Signature Flight Support issued protests during the solicitation. In November 2004, procurement canceled the solicitation.

The Department of Procurement issued a second RFP in April 2005.³ The scope of services in the RFP required the successful proponent to perform aircraft and handling services, provide service for general aviation and corporate customers, collect landing fees, report fuel activity monthly, and maintain and repair the fixed base facilities. Proponents were also required to plan, design, and construct improvements to the facilities. Proponents were expected to submit an executive summary, organizational chart and resumes for key personnel, a description of relevant experience and performance, a management and operations plan, annual reports and financial statements, a surety bond or letter of credit, and a financial offer. The financial offer included three rents: a facilities rent, a ground rent, and a percentage rent. The percentage rent equaled the greater of a minimum annual guarantee or an offered percentage of gross receipts. The expected length of the contract was five years with up to three five-year renewals.

In June 2005, nine proponents responded to the RFP, including several companies that had responded to the first solicitation. Aviation personnel evaluated the proponents' technical proposals and financial offers, while employees from other city departments evaluated responses to the RFP's financial capability and non-technical requirements. In August 2005, aviation completed its evaluation and requested negotiations to be held with Signature Flight Support. In July 2006, the Department of Procurement notified proponents of the results of the evaluation, and negotiations were

² FC-7434-02

³ FC-6005007899

held with Signature Flight Support the next month. Following procurement's notification, Mercury Air Centers and a stakeholder in Cutter Atlanta LLC protested the decision. The chief procurement officer denied the protests; the Cutter stakeholder's appeal also was denied. An administrative hearing was begun in January 2007 to consider Mercury Air Centers' appeal of the protest decision. During the hearing, the chief procurement officer canceled the solicitation. This action will require the fixed base operator project to be re-solicited for a third time.

Audit Objectives

This audit addresses the following questions:

- Was the RFP clear about what the proposals should include and how they would be evaluated?
- Were there indicators that could lead to the perception of bias?

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. Our scope included a review of the second solicitation (FC-6005007899) and a more limited review of the first cancelled solicitation (FC-7434-02). We conducted our fieldwork from December 2006 to January 2007.

Our audit methods included:

- reviewing applicable files on both solicitations, including Procurement's and Aviation's;
- examining the expired contract under which Mercury Air Centers currently operates;
- interviewing appropriate staff, including Procurement and Aviation staff and the evaluators for the second solicitation;
- reviewing the city's procurement code and the Department of Procurement's standard operating procedures; and
- compiling a timeline of events and decisions.

Findings and Analysis

Solicitation Process and Lost Documentation Raise Questions of Fairness

We cannot reconstruct all of the events that occurred in this solicitation because procurement's original support files are missing and three key staff members are no longer with the city. Lack of documentation and questions about the evaluation raise concerns about the fairness of the process.

Although the nature of the work requested and evaluation criteria were largely unchanged between the first and second solicitations, the evaluations yielded much different results. In the first solicitation, 1 point out of a possible 195 points separated the top two proponents – a spread of less than one half of one percentage point. In the second evaluation, the same two firms submitted the top two proposals, but their scores were separated by 61 points out of a total of 340 possible points – a spread of 18 percentage points. While evaluations necessarily require elements of subjectivity and judgment, problems with the process undermine the perception of fairness.

- The RFP did not provide instructions on how to complete the summary of the financial offer. Proponents calculated and recorded their total offers differently resulting in offers that were not directly comparable. Evaluators used different approaches to score the financial offers and the ultimate rankings on this criterion were inconsistent with the dollar values of the offers.
- The RFP did not describe how all submissions would be evaluated, such as the proposed facility improvements. Evaluators interpreted and applied criteria differently. For example, one evaluator considered the magnitude of proposed facilities improvements in scoring the financial offer, while others did not.
- The firms' financial capabilities were evaluated on different criteria than those in the RFP; the chief procurement officer subsequently acknowledged that some scores were in error and reversed them.
- Procurement did not provide guidance or instructions to the evaluators. While the RFP stated that the content of the

proposals would be the basis for the evaluations, some evaluators sought information from additional sources.

- Evaluators may have been swayed by implicit criteria or felt pressured to inflate small differences after the first solicitation failed. Aviation's deputy general manager told us that he told evaluators to be "definitive" in scoring the proposals so that the winner would be clear, which could have been interpreted as instruction to create larger gaps between their top scores and those they gave to other proponents.

We made recommendations in our March 2006 performance audit, *Procurement Solicitation and Evaluation*, to enhance the credibility of evaluations by reducing evaluator subjectivity through a restructured scoring system and increased discussion and by ensuring that evaluators understand the evaluation criteria and procedures. The chief procurement officer agreed with the recommendations and has taken steps to implement them, but the changes had not become effective at the time of this solicitation. This case further illustrates the importance of ensuring that departments understand and follow the new procedures.

In addition, we recommend the Department of Procurement clarify responsibilities for determining whether proposals are responsible and responsive. Because the solicitation for fixed base operator services has been canceled twice, we are concerned that a third request for proposals will lack credibility and that the integrity of the procurement process may be questioned. We recommend the Department of Procurement pre-qualify firms and solicit a hard bid to select the operator.

Request for Proposals Lacked Clarity

Lack of uniformity of financial offers was a concern in the first solicitation. In order to standardize proponents' financial offers, the RFP for the second solicitation provided an exhibit for proponents to complete that included a line for the minimum annual guarantee, percentage rent, facilities rent, ground rent, and a total offer. However, "total offer" was not defined in the technical specifications or on the exhibit, leading to differences in how proponents completed the form (see Appendix 1).

Total offers were not comparable. The proponents calculated and recorded their total offers in different ways, resulting in offers that were not directly comparable. Some proponents calculated the total offer as the sum of the minimum annual guarantee, facilities rent, and ground rent, which we believe was the city's intent. Some proponents calculated the total offer by adding rents to percentages of estimated gross receipts. The bases of some total offers were not readily discernable. At least one proponent offered a minimum annual guarantee that included all of the rents, while others did not.

Based on the Department of Procurement's standard operating procedures and the City Code, the contracting officer could have deemed at least one of the proposals non-responsive prior to the evaluation, because it failed to include either a minimum annual guarantee or a total offer in the exhibit. We believe other proposals could also have been deemed non-responsive. However, aviation scored all of the proposals.

The RFP did not link all of the requirements in the RFP to evaluation criteria. The RFP listed general evaluation criteria and weights, but did not describe how each of the required submissions – such as the financial statements, the capital improvement plan, or the minimum annual guarantee component of the financial offer – fit with the criteria (see Appendix 2). Nor did the RFP describe how the city would assess compliance with the necessary insurance requirements and with applicable laws. Finally, the RFP did not describe how pass/fail criteria would affect the evaluation. Four proponents failed at least one of these criteria but were not disqualified as required by procurement's standard operating procedures.

Evaluators Lacked Guidance

The evaluators did not receive guidance on how to score the proposals beyond the RFP, which was unclear about how some aspects of the proposal should be evaluated. All four evaluators selected by the Department of Aviation were new to this solicitation; one evaluator had never participated in the evaluation of a solicitation. Without guidance, evaluators used different information, interpreted and applied the criteria differently, and employed dissimilar scoring methodologies. Evaluators may have been swayed by implicit criteria or felt pressured to inflate small differences after the first solicitation failed.

Evaluators did not receive sufficient guidance. Evaluators did not receive any formal oral or written instructions regarding the evaluation process. All of the evaluators should have received a copy of the RFP. However, one evaluator does not recall receiving a copy. The evaluation criteria listed in the RFP conform to the city code but are very broad and do not list specific factors to consider when assessing the proposals. Finally, there was no formal process for the evaluators to obtain answers to questions during the evaluation process.

Evaluators used different approaches to evaluate proposals. While scoring the proponents' previous experience, three of the four evaluators told us that they conducted additional research to verify information written in the proposals, but did not share the information with others. As a result, the evaluators may not have used the same information in scoring this criterion and may have relied on information not included in the proposals. The RFP provides for a thorough investigation of the qualifications and past performance of firms that includes checking references, but states that the evaluation committee will rely on information gathered in the proposals and not on company brochures or literature. The city did not establish a process to systematically investigate proponents' qualifications.

Evaluators interpreted and applied criteria differently. Evaluators applied criteria differently, particularly with respect to the financial offer. For example, two of the four evaluators told us they emphasized the total offer, while one placed more emphasis on the minimum annual guarantee and considered the validity of the offers. The other evaluator told us that he considered the RFP as a whole, including the capital improvement and equipment offers, when assessing the financial offer. The financial offer as defined in the RFP and the evaluation form did not include these. One evaluator seemed to discount the experience of the current operator in reviewing the financial offer because he thought the firm had an information advantage. These different approaches yielded rankings on this criterion that were inconsistent with the dollar values of the offers (see Exhibit 1).

Evaluators also employed dissimilar scoring methodologies. The evaluators acknowledged that they independently decided how to assign points to each proponent. Evaluators were not given a scale to use in assigning points. For example, one evaluator scored in multiples of five and tended to award maximum scores to multiple

proponents; the other evaluators tended to score using a ranking approach, in which only one proponent was awarded the maximum number of points per criterion. Such variations in scores without explanation undermine credibility by creating an appearance of subjectivity or bias. For example, Mercury Air Centers and Cutter Atlanta both received high total scores from evaluator one, but low total scores from the other three (see Exhibit 2 on page 10).

EXHIBIT 1
COMPARISON OF RANKINGS FOR AVERAGE
FINANCIAL OFFER SCORES AND PROPONENTS' TOTAL OFFERS

Proponents	Financial Offer Score	Score Rank	Offer Rank
Signature Flight Support	36.8	1	3
Mercury Air Centers	34.5	2	1
Cutter Atlanta	31	3	2
SheltAir Aviation Services	25.3	4	5
Piedmont Hawthorne Aviation	20	5	6
Total Airport Services	20	5	4
Million Air	16	7	8
American Airports Corp.	15.8	8	7
Trajen Flight Support	5	9	9

Source: Department of Procurement Solicitation Files.

Note: The financial offer score is the average score each proponent received for its financial offer.

Structure of scores increases subjectivity. Lack of clear instruction and clear criteria combined with the way the scoring is structured – in which weights of relative importance are combined with evaluators’ assessments of quality – introduces too much subjectivity into the process. Evaluators are expected to assign a potentially large number of possible points without having a clear idea of what the scores mean. For example, the financial offer was worth 40 points. It’s unrealistic to expect someone to be able to distinguish consistently between 40 gradations of quality or for several evaluators to assign the 40 points in the same way. For example, a score of 23 out of 40 points for one evaluator may mean the same as a score of 27 out of 40 points for another. Small differences in application could

affect the results of the evaluation. And in this case, it makes no sense for evaluators to assign a subjective numerical score to compare numerical offers.

EXHIBIT 2
TOTAL EVALUATION SCORES FOR THE SECOND SOLICITATION

PROPOSERS	EVALUATORS				TOTAL	AVERAGE	SCORE RANGE (High-Low)
	One	Two	Three	Four			
American Airports Corp.	50	24	27	42	143	35.8	26 (50-24)
Cutter Atlanta	70	35	41	58	204	51.0	35 (70-35)
Mercury Air Centers	85	59	58	64	266	66.5	27 (85-58)
Million Air	35	29	44	49	157	39.3	20 (49-29)
Piedmont Hawthorne Aviation	55	33	50	55	193	48.3	22 (55-33)
SheltAir Aviation Services	70	49	65	60	244	61.0	21 (70-49)
Signature Flight Support	80	85	80	82	327	81.8	5 (85-82)
Total Airport Services	45	25	37	40	147	36.8	20 (45-25)
Trajen Flight Support	35	28	26	21	110	27.5	14 (35-21)
Column Average	58.3	40.8	47.6	52.3			
Evaluator Range (High-Low)	50 (85-35)	61 (85-24)	54 (80-26)	61 (82-21)			

Source: Department of Procurement Solicitation Files.

Note: The table excludes the Office of Contract Compliance scores.

Department may have introduced implicit criteria. Although the evaluators received no formal instructions, the Department of Aviation’s deputy general manager told us that he told the evaluators to score the proposals in a “definitive manner.” This instruction could have encouraged evaluators to inflate small differences in proposals. Signature Flight Support’s total raw score exceeded the second highest proponent’s total raw score by 61 points, approximately 18% of the total possible points. All four evaluators gave Signature Flight Support the maximum score for all criteria except the financial offer; only one evaluator gave any other proponent the maximum score in any of these criteria. The evaluators gave Signature Flight Support the highest total raw score for their financial offer, even though two other proponents submitted higher financial offers.

Moreover, the deputy general manager expressed to us his disapproval of the current fixed base operation. The evaluators may have been aware of his disapproval, which also could have affected their scoring.

Wide Differences in Evaluation Results of the First and Second Solicitations Give Appearance of Bias

Differences in the evaluation scores of the first and second solicitation create the appearance of bias. Although the nature of the work requested and evaluation criteria were largely unchanged between the first and second solicitations, the evaluations yielded very different results. In the first solicitation, 1 point out of a possible 195 points separated the top two proponents – a spread of less than one half of one percentage point. In the second evaluation, the same two firms submitted the top two proposals, but their scores were separated by 61 points out of a total of 340 possible points – a spread of 18 percentage points (see Exhibit 3).

**EXHIBIT 3
COMPARISON OF RESULTS FOR THE TOP THREE PROPONENTS
FROM BOTH SOLICITATIONS**

Rank	FIRST SOLICITATION (195 Possible Points)			SECOND SOLICITATION (340 Possible Points)		
	Proponent	Total Raw Score	%	Proponent	Total Raw Score	%
1	Mercury Air Centers	181	92.7%	Signature Flight Support	327	96.2%
2	Signature Flight Support	180	92.3%	Mercury Air Centers	266	78.2%
3	Jet Center Aviation Group	167	85.6%	SheltAir Aviation Services	244	71.8%

Source: Department of Procurement Solicitation Files.

Note: The total raw score for the first solicitation is (a) the total of the four evaluators’ scores for the technical criteria (160 possible points), plus (b) Aviation Finance’s financial offer score (35 possible points). The total raw score excludes the oral interview scores, since oral interviews were not held in the second solicitation. The total raw score for the second solicitation is the total of the four evaluators’ scores for the technical criteria and the financial offer (340 possible points). The technical criteria for both solicitations include (a) general and specialized/previous experience, (b) past performance and experience, and (c) management and operations plan. Department of Finance and Office of Contract Compliance scores are excluded from the total raw scores.

Aviation sought changes in financial capacity criterion in the second solicitation. In the first solicitation, aviation recommended Signature Flight Support be awarded the contract based on its evaluation, which did not include financial capacity scores done by the Department of Finance, and EBO compliance scores done by the Office of Contract Compliance. The Finance Department evaluator awarded Mercury Air Centers 3 points, Signature Flight Support 5 points, and Jet Center Aviation Group 9 points for financial capacity based on analysis of their submitted financial statements. Based on these differences in the financial capacity scores, Jet Center Aviation Group became the top-scoring proponent, and the Department of Procurement recommended negotiations with them. Procurement subsequently canceled the solicitation after other proponents protested.

For the second solicitation, the Department of Aviation's deputy general manager requested that the chief procurement officer allow aviation to conduct the evaluation of the financial capacity of the proponent firms. The chief procurement officer denied the request. Aviation then submitted a draft RFP that changed the financial capacity score from 10 points awarded based on "Financial capacity of the Proponent to perform services and renovate facilities," to a pass/fail financial capability score, which required written documentation of the proponent's ability to obtain a surety bond or letter of credit (see Exhibit 4, Appendix 2, and Appendix 3).

The chief procurement officer told us that he was unaware of this change in the final RFP, but that he interpreted it as an additional requirement rather than a change in how financial capacity would be measured. Evaluation scores for the second solicitation, apparently from the Department of Finance, show that 4 of the 9 proponents failed on financial capability.

However, the Department of Finance has been unable to locate supporting documentation on the financial capability assessments. Consequently, there is no evidence to support why some proponents failed the financial capability component. Due to this lack of documentation, the chief procurement officer subsequently reversed the failing scores and acknowledged some of the scores were in error. Subsequent review by the chief financial officer confirmed that only one proponent's financial capability was questionable.

EXHIBIT 4
COMPARISON OF CRITERIA AND WEIGHTS FOR
THE FIRST AND SECOND SOLICITATION

FIRST SOLICITATION		SECOND SOLICITATION	
Criteria	Wt.	Criteria	Wt.
General and Specialized Experience	15	Previous Experience	20
Past Performance and Experience	10	Past Performance	10
Management and Operations Plan	15	Management and Operations Plan	15
Financial Capacity	10	Financial Capability	P/F
Financial Offer	35	Financial Offer	40
Compliance with EBO Requirements	15	Compliance with EBO Requirements	15
Ability to Furnish Bond/Insurance Requirements	P/F	Ability to Furnish Insurance Requirements	P/F
Ability to Comply with City Ordinances	P/F	Ability to Comply with City Ordinances	P/F
Total Points	100	Total Points	100

Source: Department of Procurement Solicitation Files.

Responsibility for evaluating the financial offer also changed. In the first solicitation, the Department of Aviation’s finance division evaluated the scores; in the second, the evaluation team evaluated the scores (see Exhibit 5). While the financial offer was the single largest factor in the evaluation, accounting for 40% of the possible score, none of the evaluators had previous work experience or a current position in finance.

EXHIBIT 5

COMPARISON OF SCORERS FOR THE FIRST AND SECOND SOLICITATION

CRITERIA	SCORERS	
	First Solicitation	Second Solicitation
General and Specialized/Previous Experience	Evaluation Team	Evaluation Team
Past Performance and Experience	Evaluation Team	Evaluation Team
Management and Operations Plan	Evaluation Team	Evaluation Team
Financial Capacity/Capability	Finance	Finance
Financial Offer	Aviation Finance	Evaluation Team
Compliance with EBO Requirements	Contract Compliance	Contract Compliance
Ability to Furnish Bond/Insurance Requirements	Risk Management	Risk Management
Ability to Comply with City Ordinances	Evaluation Team	Law

Source: Department of Procurement Solicitation Files and Interviews with city personnel.

Loss of files undermines the transparency and credibility of the solicitation. Procurement lost the original support files in August 2006, which included the correspondence, original evaluation forms, and the results of the financial capability assessments. Proponents' original proposals and financial offers were not among the lost files. However, procurement inadvertently included a copy of a competitor's financial offer in response to a proponent's information request. In addition, aviation told Signature's management how their financial offer ranked among the proponents during their negotiations in August 2006 in an effort to solicit a higher offer from Signature, after two other firms had protested.

Although Procurement tried to reconstruct its files from documents stored on computers or copies in other departments, some information could not be recovered. For example, without the original correspondence files, we cannot confirm that all proponents' questions were answered and that each proponent received the same information. Moreover, key personnel involved with this solicitation process are no longer with the city – the contracting officer, one of the evaluators, and the Department of Finance employee who assessed the financial capability scores – which limited our ability to clarify solicitation issues.

The deputy procurement officer told us the department has taken steps to safeguard its files, including key pads at the doors to prevent unauthorized entry, locked file cabinets, and a policy that files must be checked out for only 48 hours at a time.

New approach needed to select operator. Because solicitation for fixed base operator services has been protested numerous times and cancelled twice, we are concerned that a third request for proposals will lack credibility. We recommend the Department of Procurement pre-qualify firms and solicit a hard bid to select the operator. The evaluation team for reviewing qualifications should include at least some members from outside of the Department of Aviation. We think the additional services the city was seeking to plan, design, and construct improvements to the fixed based operator facilities at the airport would be more appropriately bid separately. The facilities are a city asset and the title of any improvements will revert to the city. The RFP did not state how proponents' capital improvement plans would be evaluated, and the city could reimburse the cost of the improvements could depending on the circumstances.⁴

Implementing Prior Audit Recommendations Would Strengthen the Evaluation Process

We recommended in our March 2006 performance audit *Procurement Solicitation and Evaluation* that the Department of Procurement ensure evaluators fully understand the evaluation criteria and evaluation procedures. Procurement's standard operating procedures call for the department to hold a mandatory meeting with the evaluators to develop an evaluation plan for the solicitation, which includes the selection of evaluation criteria. We also recommended the department should develop procedures for ensuring that:

- Evaluation criteria are clearly defined and understood by the evaluators.
- Evaluation criteria are clearly linked to the solicitation response requirements.

⁴ The RFP states that the successful proponent must document the costs of the improvements within 30 calendar days of completing the work for the purpose of establishing the unamortized costs to be reimbursed. The city would reimburse these costs if the contract ends before the amortization period is completed.

- Evaluators understand which criteria they will evaluate and are adequately instructed on evaluation protocol, procedures, and scoring systems.
- Evaluators have an opportunity for monitored discussion of issues related to the evaluation during the evaluation process.

The chief procurement officer agreed with our recommendations and stated that the department made changes to the process. However, this solicitation was begun well before we made our audit recommendations. While the changes were not yet in effect, we think this case illustrates the importance of ensuring that departments understand and follow the new procedures.

We also recommended the Department of Procurement restructure its scoring methodology to separate evaluators' assessment of quality from relative importance (weight). The department should use a limited and consistent number of possible quality ratings for each criterion, for example a 5-point or 7-point scale, and work with user departments to describe what each rating would mean. Scores could then be weighted during compilation by multiplying each criterion's score by its pre-determined percent weight. This type of method would allow the evaluators to apply the subjectivity inherent in the process to their quality ratings, while limiting the gradations of quality to a reasonable number.

The chief procurement officer agreed to investigate the feasibility of implementing this recommendation. We strongly encourage the chief procurement officer to restructure the scoring to reduce unnecessary subjectivity and provide for more defensible, fair evaluations.

Recommendations

Our recommendations are intended to assist the city in selecting a fixed base operator through a fair and competitive procurement process and strengthen procurement practices where generally applicable.

- 1. The chief procurement officer should clarify procedures for determining proponents' responsibility and responsiveness and ensure they are followed.** The Department of Procurement uses certain criteria to determine the responsibility of proponents. These criteria are often pass/fail. We recommend that the chief procurement officer ensure the department complies with these procedures and eliminates proposals that fail any of these criteria from further consideration. We also recommend that the department score these criteria prior to sending the proposals to the user department for technical evaluation. The elimination of these proposals would provide for more effective use of evaluators' time.

Per procurement's standard operating procedures, the contracting officer is responsible for identifying and rejecting proposals that are clearly non-responsive, incomplete, or otherwise unacceptable. We recommend that the Department of Procurement follow this procedure. However, in some cases, non-responsiveness may not be obvious to the contracting officer, who is not required to do a detailed review of each proposal. As a result, we also recommend that the chief procurement officer clarify the role of the user department and evaluators in assessing the responsiveness of proposals when non-responsiveness may be unclear. The chief procurement officer should develop procedures for user agencies and evaluators to report and reject proposals that they deem non-responsive. These recommendations could improve the effectiveness of the evaluation process.

- 2. The chief procurement officer should implement appropriate controls over solicitation files.** During the review, the Department of Procurement stated that steps have

been taken to secure all solicitation files. We recommend the chief procurement officer document and immediately implement these new procedures in order to prevent files from being lost in the future.

- 3. The chief procurement officer should issue a request for qualifications and solicit a hard bid for a fixed base operator.** Due to the history of the Fixed Base Operator solicitation, the issuance of a third RFP may not overcome any lasting perceptions of bias. We recommend that the Departments of Procurement and Aviation issue a request for qualifications followed by a solicitation for a hard bid in lieu of a third RFP. The chief procurement officer should ensure that the evaluation team for reviewing qualifications includes some members from outside of the Department of Aviation.
- 4. The chief procurement officer should bid capital improvements for the Fixed Base Operator facility in a separate contract.** We also recommend that the chief procurement officer request bids for the capital improvements planned for the Fixed Base Operator facility as a separate renovation project to obtain a fair and competitive price.

Appendices

APPENDIX 1

FINANCIAL OFFER FORM FOR SECOND SOLICITATION

**EXHIBIT 3
FINANCIAL OFFER
FC-6005007899 - FIXED BASE OPERATOR**

CATEGORY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MINIMUM ANNUAL GUARANTEE					
PERCENTAGE RENT (8% MINIMUM)	%	%	%	%	%
FACILITIES RENTS					
GROUPS RENTS					
TOTAL OFFER					

APPENDIX 2

EVALUATION FORM FOR SECOND SOLICITATION

Exhibit 1

PERCENTAGE EVALUATION FORM

An evaluation committee will evaluate the information provided by the Proponent for each item. Each proposal will be evaluated as defined. A Short List may be developed and oral presentations/interviews may be scheduled with the top ranked Proponent. The following items will be scored.

WEIGHT	GRADED ITEM	SCORE
20	Previous experience demonstrating competence to perform FBO services; Proposal must be comprehensive and demonstrate a full understanding of the services to be rendered. Qualifications and experience of subcontractors regularly engaged by the Proponent for work similar to the task in this RFP.	
10	Past performance in the provision of FBO services at comparable locations, and professional qualifications and experience of key personnel.	
15	Management and Operations Plan and Quality Assurance providing a first class, secure and efficient operation with a commitment to customer service.	
P/F	Financial capability, specifically written documentation to attest to Proponent's ability to obtain a Surety Bond or Letter of Credit.	
40	Financial offer including percentage(s) of gross revenues, facility rental fees and ground rents.	
15	Compliance with EBO requirements	
P/F	The ability to furnish the necessary Insurance requirements.	
P/F	The ability to comply with the applicable ordinances and resolutions of the CITY, the regulations and ordinances of the county in which the work is to be performed and the laws of the state and the United States.	

APPENDIX 3

EVALUATION FORM FOR FIRST SOLICITATION

Exhibit 1
EVALUATION FORM
FC-7434-02, FIXED BASED OPERATOR

The information provided by the Proponent for each item will be evaluated by an evaluation committee. Each proposal will be evaluated as defined. A Short List may be developed and oral presentations/interviews may be scheduled with the top ranked Proponent(s). The following items will be scored.

WEIGHT	GRADED ITEM	SCORE
15	General and Specialized Experience	
10	Past Performance and Experience	
15	Management and Operations Plan	
10	Financial capacity of the Proponent to perform services and renovate facilities.	
35	Financial offer including percentage(s) of gross revenues, facility rental fees and ground rents.	
15	Compliance with EBO requirements	
P/F	The ability to furnish the necessary bonds and or insurance requirements.	
P/F	The ability to comply with the applicable ordinances and resolutions of the City, the regulations and ordinances of the County in which the work is to be performed, and the laws of the State of Georgia and the United States.	
100	TOTAL POINTS	

APPENDIX 4

AUDIT RESPONSE - DEPARTMENT OF AVIATION



CITY OF ATLANTA

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ATRIUM SUITE 4000

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SHIRLEY FRANKLIN

MAYOR

DEPARTMENT OF AVIATION
BENJAMIN R. DECOSTA
General Manager

MARIO C. DIAZ
Deputy General Manager

MEMORANDUM

TO: Leslie Ward, City Auditor
FROM: Mario Diaz 
SUBJECT: FBO PROCUREMENT AUDIT
DATE: February 8, 2007

Yesterday I had the opportunity to follow up on my comments to the subject audit with Eric Palmer of your staff. We agreed that given my concerns, I should communicate with you in writing.

I have two issues. The first issue concerns the recommendation in the audit report that *"...the city request bids for the capital improvements planned for the FBO facility as a separate renovation project to obtain a fair and competitive price."* I believe this recommendation stems from an apparent misinterpretation by the audit team of the business terms outlined in the RFP. I believe the RFP is clear that improvements to the facility are to be the responsibility of the successful proponent and that any investment made or cost incurred is solely the proponent's to make or incur. One cannot take a paragraph out of context and draw the conclusion that the intent was for the City to make the investment. The reference to reimbursement has to do with our recognition that at some point during the term of this agreement, we may have to relocate the FBO to some other part of the airfield. In such case, we would have the right, subject to Council approval, to terminate the lease and reimburse the tenant for its unamortized investment. Given this intent, I do not see why we would want to spend City resources planning, designing and procuring construction services for an investment that is not ours. Further, I doubt that any tenant would agree to such an arrangement whereby they would be responsible for all costs associated with the improvements but have no control over the work. I therefore ask that you reconsider this recommendation.

APPENDIX 4 (continued)

AUDIT RESPONSE – DEPARTMENT OF AVIATION

Leslie Ward
RFP Procurement Audit
February 8, 2007

The second issue has to do with the statement, “...*both Procurement and Aviation may have inadvertently shared information about proponents’ financial offers with other proponents.*” I had wanted to know the basis for this statement and who in Aviation had shared the information. It turns out that the statement is based on minutes taken by the former contracting officer for this project during the negotiation session with the selected proponent. The facts are that during that meeting I told the successful proponent that its financial offer was not the highest, period. There was no other information shared. I made the statement following the conclusion of the procurement process, after the Chief Procurement Officer had notified the successful proponent that it had been selected. I made it during the negotiations “...to arrive at a final agreement concerning the scope of work and business terms of the transaction”, per the section in the RFP on negotiations. To say that this action is sufficiently comparable to what occurred in Procurement to permit their placement side by side in the same statement raises a question of objectivity in this report. I therefore ask that you either provide sufficient detail of both actions to allow the reader to draw his/her own conclusion, or remove any reference to the Aviation Department from that paragraph. The statement should not be presented as fact.

Cc: B. DeCosta
A. Smith
J. Tetrick
M. Fineman
G. Geeter
E. Palmer

APPENDIX 5

AUDIT RESPONSE – DEPARTMENT OF PROCUREMENT

Report # 06.12

Report Title: Aviation Fixed Base Operator Solicitation

Date: 02/05/07

Recommendation Responses

Rec. # 1 **The chief procurement officer should clarify procedures for determining proponents' responsibility and responsiveness and ensure they are followed.** The Department of Procurement uses certain criteria to determine the responsibility of proponents. These criteria are often pass/fail. We recommend that the chief procurement officer ensure the department complies with these procedures and eliminates proposals that fail any of these criteria from further consideration. We also recommend that the department score these criteria prior to sending the proposals to the user department for technical evaluation. The elimination of these proposals would provide for more effective use of evaluators' time.

Per procurement's standard operating procedures, the contracting officer is responsible for identifying and rejecting proposals that are clearly non-responsive, incomplete, or otherwise unacceptable. We recommend that the Department of Procurement follow this procedure. However, in some cases, non-responsiveness may not be obvious to the contracting officer, who is not required to do a detailed review of each proposal. As a result, we also recommend that the chief procurement officer clarify the role of the user department and evaluators in assessing the responsiveness of proposals when non-responsiveness may be unclear. The chief procurement officer should develop procedures for user agencies and evaluators to report and reject proposals that they deem non-responsive. These recommendations could improve the effectiveness of the evaluation process.

Proposed Action: The Department of Procurement (the "DOP") immediately instituted additional training procedures for evaluators on the factors determining whether proposals are non-responsive or non-responsible.

Implementation Timeframe: Immediately. The DOP now provides additional training to evaluators on the factors that would determine a solicitation non-responsive/non-responsible.

Comments: The DOP agrees with recommendation number 1. The department will follow its procedures and will eliminate from the solicitation process any proposal that is determined to be "non-responsive" or "non-responsible," pursuant to the DOP Standard Operating Procedures (the "SOP") and the Procurement Code. The department will continue to provide training and guide departments on the requirements of "non-responsiveness" and/or "non-responsibility" of proposals in an effort to clarify the role of the user departments and evaluators in assessing the responsiveness of proposals when non-

responsiveness may be unclear. Additionally, the department will revise and update its SOP to improve and clarify the responsibilities for determining the responsiveness of proposals.

Responsible Person: The person responsible for implementing this recommendation will be the chief procurement officer/DOP.

Rec. # 2 **The chief procurement officer should implement appropriate controls over solicitation files.** During the review, the Department of Procurement stated that steps have been taken to secure all solicitation files. We recommend the chief procurement officer document and immediately implement these new procedures in order to prevent files from being lost in the future.

Proposed Action: The DOP immediately instituted additional policies and procedures as controls to its existing file maintenance system.

Implementation Timeframe: Immediately.

Comments: The DOP agrees with recommendation number 2. Although the department considers this inappropriate control a rare instance, we took remedial action against the employee who failed to follow the controls already in place to maintain the control of solicitation files, and we immediately implemented additional controls to improve the current system so to prevent this from happening again.

Responsible Person: The responsible person for implementing this recommendation will be the chief procurement officer/DOP.

Rec. # 3 **The chief procurement officer should issue a request for qualifications and solicit a hard bid for a fixed base operator.** Due to the history of the Fixed Base Operator solicitation, the issuance of a third RFP may not overcome any lasting perceptions of bias. We recommend that the Departments of Procurement and Aviation issue a request for qualifications followed by a solicitation for a hard bid in lieu of a third RFP. The chief procurement officer should ensure that the evaluation team for reviewing qualifications includes some members from outside of the Department of Aviation.

Proposed Action: The DOP agrees with recommendation number 3.

Implementation Timeframe: Immediately.

Comments: The DOP agrees to issue a Request for Qualifications and solicit a hard bid for the next solicitation.

Responsible Person: The person responsible for implementing this recommendation will be the chief procurement officer/DOP, with the input of the Department of Aviation.

Rec. # 4 **The chief procurement officer should bid capital improvements for the Fixed Base Operator facility in a separate contract.** We also recommend that the chief procurement officer request bids for the capital improvements planned for the Fixed Base Operator facility as a separate renovation project to obtain a fair and competitive price.

Proposed Action: The DOP agrees with recommendation number 4.

Implementation Timeframe: Immediately.

Comments: The DOP agrees to issue a bid for the capital improvements in a separate contract.

Responsible Person: The person responsible for implementing this recommendation will be the chief procurement officer/DOP, with the input of the Department of Aviation.