#### IRIARTE CAMACHO CALVO LAW GROUP LLC

ELYZE M. IRIARTE eiriarte@icclawgroup.com 134 W Soledad Ave., Suite 401 Hagåtña, GU 96910 Tel No. 671.472.6813 Fax No. 671.477-4375

Attorneys for Appellant XEROX CORPORATION

### BEFORE THE OFFICE OF PUBLIC ACCOUNTABILITY

In the Appeal of

Docket No. OPA-PA\_\_\_\_\_

XEROX CORPORATION.

Appellant.

NOTICE OF PROCUREMENT APPEAL

Xerox Corporation brings this appeal of a protest denial issued by the Guam Department of Education.

# **Appellant Information:**

Name: Xerox Corporation.

Mailing Address: 137 Murray Blvd., Floor 1, Hagåtña, Guam 96910. For the purposes of this Appeal, please direct filings and correspondence to Xerox's legal counsel: Iriarte Camacho Calvo Law Group LLC, Attn: Elyze Iriarte, Esq., 134 W Soledad Ave Ste 401, Hagåtña, GU 96910.

Business Address: 137 Murray Blvd., Floor 1, Hagåtña, Guam 96910.

Email Address: eiriarte@icclawgroup.com

Daytime Contact No.: 472-6813

Fax No.: 477-4375

## **Appeal Information**

Purchasing Agency: Guam Department of Education (GDOE)

Identification of Contract: GDOE IFB 004-2016 (referenced herein as "Contract").

Decision being appealed was made on August 4, 2016 by Carmen T. Taitano, GDOE Supply Management Administrator.

Appeal is made from a Decision denying Xerox's Protest of GDOE's Notice of Rejection of All Bids and Amended Bid Status.

Names of Competing Bidders, Offerors, or Contractors known to Appellant:

No other entities submitted a bid.

## **Statement Supporting the Appeal**

### 1. Background

The Office of Public Accountability has jurisdiction over procurement disputes, including the present dispute. 5 GCA §§ 5427, 5706.

GDOE IFB 004-2016 solicited the lease of multifunction (copy, print, scan, and fax) devices. As part of the solicitation, GDOE specified that it will consider bids that offered federal GSA pricing and its terms and conditions.

Understanding GDOE would accept pricing based on federal schedules,

Xerox offered to provide multi-function devices to GDOE using such schedules.

Other interested entities were free to provide a bid using federal pricing, or pricing of their own invention. However, no other entity submitted an offer to GDOE.

In a June 28, 2016 Memorandum from the Office of the Attorney General, the

AG concluded that GDOE had no authority to procure under the federal supply schedule. Following that Memorandum, on July 5, 2016, GDOE informed bidders that all bids were rejected.

Xerox submitted a timely Protest on July 18, 2016. Xerox challenged the rationale in the AG's Memorandum concerning GDOE's authority to set the pricing terms and to utilize the federal supply schedule.

On August 4, 2016, GDOE denied Xerox's Protest, and made no attempt to discuss the merits of Xerox's appeal. Instead, it advised that since the AG takes the position that GDOE had no authority to utilize Federal GSA pricing, it would not approve the contract containing such term.

Xerox now appeals.

# 2. DOE Has Authority to Set the Terms of the IFB

A fundamental error in the AG's analysis was that GDOE could not set the terms of the bidders' pricing. This is incorrect because Guam law gives GDOE autonomy over its procurement. Guam law also states that "any governmental body of Guam may act as a purchasing agency and contract on its own behalf for such services." 5 GCA § 5121. GDOE, as the purchasing agency, has the authority to establish the terms and conditions it finds acceptable. 5 GCA § 5263 ("Specifications for supplies [or] services . . . may be prepared by a purchasing agency"). In this instance, GDOE in fact drafted specifications and pricing it deemed acceptable.

Xerox challenges the misstatement in the AG's Memo that the IFB's language allowing bids based on federal schedules was "inadvertent." GDOE made clear on more than one occasion that such a bid was acceptable and proper. Even further,

such a specification is allowed by Guam Procurement Law which states "All specifications shall seek to promote overall economy for the purposes intended and encourage competition in satisfying the Territory's needs, and shall not be unduly restrictive." 5 GCA § 5265. Notably, there is no Guam law or regulation that prohibits price lists in this instance. Instead, GDOE allowed for even greater competition by permitting bidders flexibility in their proposals.

The policy and benefits behind extending federal GSA pricing to state and local governments must also be considered. The GSA program allows local governments to connect with pre-vetted companies that offer products at volume discount pricing. If the pricing offered by such vendors is competitive, then it satisfies the purposes of Guam's Procurement Law, particularly, "maximizlingl to the fullest extent practicable the purchasing value of public funds to the Territory." 5 GCA § 5001(b)(5).

DOE should be permitted to utilize whatever methods it determines will provide it with the best price.

### 3. § 5122 does Not Constrain GDOE from utilizing federal GSA schedules

The AG's Memorandum determined that because 5 GCA § 5122 mentions only GSA as being able to procure supplies from the United States, GDOE had no authority to accept pricing based on federal schedules. This is also in error.

Section 5122 applies to instances in which GSA procures supplies directly "from the United States." Section 5122 harkens back to a time when the federal government operated supply centers from which both it and the local government could obtain supplies. This process is now obsolete because those supply centers

are no longer in existence, and, GSA no longer purchases supplies directly from the federal government. When that process still existed, however, section 5122 dictated that GSA could purchase federal supplies as long as it was less than ten percent from other contractors.

Section 5122 does not apply where GSA or any other agency such as GDOE directly procures supplies from vendors such as Xerox. Section 5122 does not pertain to the federal schedules as described above. Under the federal program, local governments do not purchase "from the United States." The local government instead benefits from the federal government's pre-approved price schedule, but pays the vendor, not the federal government.

The AG's Memorandum references an antiquated provision of the Procurement Law that fails to apply both literally and in practice. GDOE was not purchasing supplies from the United States, and is not constrained from section 5122 from utilizing the federal price schedules.

### 4. DOE Has Not Satisfied the Test to Cancel a Bid

Given that section 5122 GDOEs not apply, GDOE's adoption of the AG's analysis is in error. In its Notice of Rejection of All Bids, GDOE accepted that "the use of the Federal General Services Agency pricing, along with its terms and conditions is prohibited under Guam Procurement Law and Regulations." Since that conclusion is in error, and GDOE stated no other grounds for rejecting Xerox's bid, the bid must be reinstated and accepted.

5. The OPA Has the Authority to Determine the Legality of the Contract

GDOE denied the protest for the sole reason that the AG would not sign the

contract. While it is correct that during the procurement review process, the AG must determine the correctness of the form and the legality of a government contract (5 GCA § 5150), the OPA, however, has the jurisdiction to review those decisions made by the AG: "The Public Auditor shall have the power to review and determine *de novo* any matter properly submitted to her or him." 2 GAR Div. 4 § 12103(a). Furthermore, "No prior determination shall be final or conclusive on the Public Auditor." 2 GAR Div. 4 § 12103(a). Therefore, if the OPA makes the determination that the GDOE IFB 004-2016 was correct in form and legal, that decision shall be conclusive on those issues. 2 GAR Div. 4 § 12111(c).

## **Relief Requested**

Xerox asks that this appeal reverse GDOE's decision, that the OPA order GDOE to execute the bid offered by Xerox without further delay, that the OPA determine that GDOE IFB 004-2016 is legal, and for such other appropriate relief that may be available.

#### **Declaration re Court Action**

Pursuant to 5 GCA Chapter 5, unless the court requests, expects, or otherwise expresses interest in a decision by the Public Auditor, the Office of Public Accountability will not take action on any appeal where action concerning the protest or appeal has commenced in any court.

The undersigned party does hereby confirm that to the best of his or her knowledge, no case or action concerning the subject of this Appeal has been commenced in court. All parties are required to and the undersigned party agrees to notify the Office of Public Accountability within 24 hours if court action commences

051570-00100.9578

regarding this Appeal or the underlying procurement action.

DATED: Hagåtña, GU, 10, August, 2016.

IRIARTE CAMACHO CALVO LAW GROUP LLC

ELYZE'M. IRIARTE

Attorneys for Appellant XEROX CORPORATION

#### **VERIFICATION OF PAMELA S. QUINATA**

GUAM USA	)	
	)	SS
MUNIPALITY OF HAGATNA	)	

PAMELA S. QUINATA, being first duly sworn under oath, has read the foregoing XEROX CORPORATION'S NOTICE OF APPEAL, knows the contents thereof, and verifies that the same is true to the best of her knowledge and belief.

PAMELA S. QUINATA

Subscribed and sworn to before me this 40 day of August, 2016.

Fring K

**W**otary Public

TRINA M. PEREZ NOTARY PUBLIC

In and for Guam, U.S.A.
My Commission Expires: March 02, 2017
P.O. Box 5087 Hagama, Guam 96932

# **Exhibits**

- 1. July 5, 2016 Amended Bid Status
- 2. July 5, 2016 Notice of Rejection of All Bids
- 3. July 18, 2016 Protest
- 4. August 4, 2016 Response to Protest

# Exhibit 1



JON J.P. FERNANDEZ Superintendent of Education

# **DEPARTMENT OF EDUCATION OFFICE OF SUPPLY MANAGEMENT**

www.gdoe.net/procurement 500 Mariner Avenue A-Building, Suite A-13 Barrigada, Guam 96913 Telephone: (671) 475-0438/Fax: (671) 472-5001

Email: procurement@gdoe.net



CARMEN T. TAITANO Supply Management Administrator

# **AMENDED BID STATUS**

137 Hag Tel: Fax:	Mur atna (671 : (67:	orporation Tray Blvd., Floor 1 1, Guam 96910 L) 477-6422 1) 472-3844 amela.Quinata@xerox.com		July 5, 2016	
Attr	1:	Pamela S. Quinata General Manager / Area Sales Manager			
Bid	no.:	GDOE IFB 004-2016	OPENED:	Friday, January 15, 2016 at 9:00 AM	
Des	cript	ion: LEASE OF MULTIFUNCTION (COPY, PRINT, S	SCAN, AND FAX)	DEVICES	
The	The following is the evaluation results of subject bid: Refer to item(s checked below.				
		ected (in its entirety), or partially rejected due to Insufficient funds Change of specifications Insufficient number of bidders Bids received are at unreasonable prices Solicitation did not provide for consideration of			
	Not recommended due to:  □ Late submission of bid □ No bid bond submitted, as required by Section 2.5.5 titled Bid Bond requirement □ Non-conformance with Specifications □ Others:				
	Bid is recommended for award to:				
$\boxtimes$	Remarks: <u>Please see Notice of Rejection of All Bids for further details.</u>				
	8	cerely, RMEN T. TAITANO	ACKN	OWLEDGMENT RECEIPT	
		ply Management Administrator	Signa	ture	
			Date	Time:	

# Exhibit 2



JON J.P. FERNANDEZ Superintendent of Education

#### **DEPARTMENT OF EDUCATION** OFFICE OF SUPPLY MANAGEMENT

www.gdoe.net/procurement 500 Mariner Avenue A-Building, Suite A-13 Barrigada, Guam 96913 Telephone: (671) 475-0438/Fax: (671) 472-5001 Email: procurement@gdoe.net



CARMENT, TAITANO Supply Management Administrator

July 5, 2016

#### NOTICE OF REJECTION OF ALL BIDS

To:

All Bidders

From:

GDOE Office of Supply Management

Reference: Lease of Multifunction (Copy, Print, Scan, and Fax) Devices

Formal Invitation for Bid: GDOE IFB 004-2016

This notice is to advise you that the Guam Department of Education (GDOE) hereby rejects all bids in its entirety for IFB 004-2016 Lease of Multifunction (Copy, Print, Scan, and Fax) Devices.

On January 25, 2016, the aforementioned bid was recommended for award to the lowest, most responsive, and responsible Bidder, namely Xerox Corporation. Upon formation of the contract and submittal to the Attorney General's Office for review, the Attorney General's Office has determined that the use of the Federal General Services Agency pricing, along with its terms and conditions is prohibited under Guam Procurement Law and Regulations (see attached Agency Communication from the Office of the Attorney General of Guam). Therefore, it is in the best interest of the Department to reject all bids for this IFB in its entirety and reissue a revised IFB.

The Guam Administrative Rules and Regulations, Title 2, Division 4, §3115(d)(2)(A) states in part, "After opening, but prior to award, all bids or proposals may be rejected in whole or in part when the Chief Procurement Officer, the Director of Public Works, or the head of a Purchasing Agency determines in writing that such action is in the territory's best interest for reasons including, but not limited to: ... (iii) the solicitation did not provide for consideration of all factors or significance to the territory."

Any questions or concerns regarding this matter may be directed to our office at (671) 475-0438.

Please acknowledge receipt of this NOTICE OF REJECTION OF ALL BIDS for IFB 004-2016 by signing below and returning the signed document via fax to (671) 472-5001 or via email to kobayson@gdoe.net.

Senseramente,

Supply Management Administrator

Acknowledgement Receipt		
Print Name		
Signature		
Date	Time	



# Office of the Attorney General of Guam



June 28, 2016

#### AGENCY COMMUNICATION

Ref: DOE 15-0786

TO:

James Stake, Special Assistant Attorney General

Legal Counsel, Department of Education

FROM:

Assistant Attorney General, Solicitors Division

SUBJECT:

SAAG Attorney - DOE IFB No. 004-2016 Agreement with Xerox Corporation

Lease of Multifunction (Copy, Print, Scan and Fax) Devices

This discussion memorandum is developed for our Tuesday, June 28, 2016 9:30 to 10:30 AM meeting at the Office of the Attorney General set pursuant to our Friday, June 24, 2016 telephone call and my Friday, June 24, 2016 email to you. The question you have asked in our call, and I am paraphrasing, was whether there can be deviation from the terms and conditions included in DOE IFB No. 004-2016 and an acceptance of additional terms and conditions from Xerox Corporation with their bid, and subsequent negotiations between GDOE and Xerox Corporation of the Bid Service Agreement included in the bid, post the closing of the bids.

My understanding the justification DOE believes permits the deviation is that its only bidder, Xerox Corporation, in its bid stated it wanted DOE to procure under the Federal GSA Supply Schedule (Xerox Corporation is a listed supplier); and DOE had inadvertent language in its bid form and additionally in one of its seven (7) amendments to the bid, such that DOE believed it could agreed to that alternative method of procurement. However, DOE does not cite any express Guam procurement law or regulation permitting it to proceed with procurement under the Federal GSA Schedule.

The short answer to the question is no there cannot be a deviation from the terms and conditions as originally set forth in the IFB and the Bid Service Agreement under the Competitive Sealed Bid method of procurement set forth in 5 GCA Chapter 5 §5211 and 2 GAR Division 4, §3109. Additionally, there is no current legal authority for DOE to procure under the Federal Schedule of Supplies in the alternative method of procurement as suggested in IFB 004-2016, and therefore that is not a justification for the deviation.

Although U. S. Government procurement is available to the government of Guam under 48 U.S.C. § 1469(e); and set for in Guam's Procurement Law under 5 GCA Chapter 5 §5122 as follows: "The General Service Agency shall procure supplies from the United States when the cost the General Service Agency is less by ten percent (10%) from other contractors". The Public Auditor interpreted §5122 in her February 10<sup>th</sup>, 2008 Decision and Order *In the Appeal of, Town* 

Agency Communication
Ref: DOE 15-0786
SAAG Attorney – DOE IFB No. 004-2016 Agreement with Xerox Corporation
Lease of Multifunction (Copy, Print, Scan and Fax) Devices
Page 2 of 2

House Department Stores, Inc. dba Island Business Systems § Supplies, OPA-PA-08-012; "as merely authorizing GSA to purchase supplies, services, or equipment from the Federal Government and does not create an alternative method of source selection"; at p.7. She found that GSA did not have authority to develop alternative methods of source selection that are contrary to the method of source selection authorized by Guam's Procurement Law and Regulations, at p. 8.

Here, in DOE's IFB No. 004-2016 solicitation, DOE is similar to GSA in OPA-PA-08-012, seeking to create an alternative method of source selection by which it can purchase under the Federal GSA Schedule of Supplies, without specific legal authority to do so; and in the case of IFB No. 004-2016 not even complying with the "less by ten percent (10%) from other contractors" in §5122, in that there are no other bidders in the procurement, just the sole bid of Xerox Corporation, and not documenting any delegation from GSA under §5122 to makes such procurement. There is no authorization in §5122 for DOE to make such a procurement, just GSA.

Absent express legal authorization to procure in the method DOE proposes to do so from Xerox Corporation in IFB 004-2016, DOE is prohibited under Guam Procurement Law and Regulations from doing so at this time.

San J. Mooney

Exhibit 3



# PROCUREMENT SECTION RECEIVED

DEPARTMENT OF EDUCATION
TIME: INITIAL:

18 July 2016

Jon J.P. Fernandez, Superintendent Department of Education P.O. Box DE Hagatña, Guam 96932

Re:

**PROTEST** 

Xerox Corporation's Protest of GDOE's July 5, 2016 Amended Bid Status and Notice of Rejection of All Bids (GDOE IFB 004-2016)

Dear Superintendent Fernandez:

Xerox Corporation protests GDOE's July 5, 2016 Amended Bid Status and Notice of Rejection of All Bids regarding GDOE IFB 004-2016. Xerox Corporation's address is 137 Murray Blvd., Floor 1, Hagatna, Guam 96910. For purposes of this Protest, please direct correspondence to my attention at the address below.

#### 1. Background

GDOE IFB 004-2016 solicited the lease of multifunction (copy, print, scan, and fax) devices. GDOE's solicitation specified that it will consider bids that offered federal GSA pricing and its terms and conditions.

Understanding GDOE would accept pricing based on federal schedules.

Xerox offered to provide multi-function devices to GDOE using such schedules.

Other interested entities were free to provide a bid using federal pricing, or pricing of its own invention. However, no other entity submitted an offer to GDOE.

On January 25, 2016, GDOE informed Xerox that it was the lowest and most responsible bidder and issued to Xerox a Letter of Intent to award.

In a June 28, 2016 Memorandum from the Office of the Attorney General, the AG concluded that GDOE had no authority to procure under the federal supply schedule. Following that Memorandum, on July 5, 2016, GDOE informed bidders that all bids were rejected because the "Solicitation did not provide for consideration of all factors."

# 2. DOE Has Authority to Set the Terms of the IFB

Guam law gives GDOE autonomy over its procurement. 5 GCA § 5125. Guam law also states that "any governmental body of Guam may act as a purchasing agency and contract on its own behalf for such services." 5 GCA § 5121. GDOE, as the purchasing agency, has the authority to establish the terms and conditions it finds acceptable. 5 GCA § 5263 ("Specifications for supplies [or] services ... may be prepared by a purchasing agency"). In this instance, GDOE in fact drafted specifications and pricing it deemed acceptable, including the consideration of federal GSA pricing and terms and conditions.

In contrast to the misstatement in the AG's Memo that the IFB's language allowing bids based on federal schedules was "inadvertent," GDOE made clear on more than one occasion that such a bid was acceptable and proper. Even further, such a specification which promotes competitive pricing, is allowed by the Guam Procurement Law: "All specifications shall seek to promote overall economy for the purposes intended and encourage competition in satisfying the Territory's needs, and shall not be unduly restrictive." 5 GCA § 5265. Notably, there is no Guam law or regulation that prohibits price lists in this instance. Instead, including federal pricing

accommodates even greater competition by permitting bidders flexibility in their proposals.

The policy and benefits behind extending federal GSA pricing to state and local governments must also be considered. The federal GSA program allows local governments to connect with pre-vetted companies that offer products at volume discount pricing. If the pricing offered by such vendors is competitive, then it satisfies the purposes of Guam's Procurement Law, particularly, "maximiz[ing] to the fullest extent practicable the purchasing value of public funds to the Territory." 5 GCA § 5001(b)(5).

Accordingly, GDOE was permitted to utilize whatever methods it determines will provide it with the best price, including consideration of bids based on federal schedules.

# 3. Section 5122 Does Not Constrain DOE from Utilizing Federal GSA Schedules

The AG's Memorandum determined that because 5 GCA § 5122 mentions only GSA as being able to procure supplies from the United States, GDOE had no authority to accept pricing based on federal schedules. This analysis is in error.

Section 5122 applies to instances in which GSA procures supplies directly "from the United States." Section 5122 harkens back to a time when the federal government operated supply centers from which both it and the local government could obtain supplies. This process is now obsolete because those supply centers no longer exist, and, GSA no longer purchases supplies directly from the federal

government. When that process still existed, however, section 5122 dictated that GSA could purchase federal supplies as long as it was less than ten percent from other contractors.

Section 5122 does not apply where GSA or any other agency such as DOE directly procures supplies from vendors such as Xerox. Section 5122 does not pertain to the federal schedules as described above. Under the federal program, local governments do not purchase "from the United States." The local government instead benefits from the federal government's pre-approved price schedule, but pays the vendor, not the federal government.

The AG's Memorandum references an antiquated provision of the

Procurement Law that fails to apply both literally and in practice. GDOE was not

purchasing supplies from the United States, and is not constrained from section 5122

from utilizing the federal price schedules.

#### 4. DOE Has Not Satisfied the Test to Cancel a Bid

Given that section 5122 does not apply, GDOE's adoption of the AG's analysis is in error. In its Notice of Rejection of All Bids, DOE accepted that "the use of the Federal General Services Agency pricing, along with its terms and conditions is prohibited under Guam Procurement Law and Regulations." Since that conclusion is in error, and GDOE stated no other grounds for rejecting Xerox's bid, the bid must be reinstated and accepted for award.

# 5. Request for Relief

Xerox requests that the Amended Bid Status and Notice of Rejection of All Bids be rescinded, that GDOE accept Xerox's bid as it complies with GDOE's specifications, and that GDOE reinstate the Notice of Intent issued to Xerox.

Sincerely,

Elyze M. Iriarte

cc: Carmen Taitano, Supply Management Administrator

Exhibit 4



JON J.P. FERNANDEZ
Superintendent of Education

# DEPARTMENT OF EDUCATION OFFICE OF SUPPLY MANAGEMENT

www.gdoe.net/procurement
500 Mariner Avenue
A-Building, Suite A-13
Barrigada, Guam 96913
Telephone: (671) 475-0438/Fax: (671) 472-5001
Email: procurement@gdoe.net



CARMEN T. TAITANO Supply Management Administrator

August 4, 2016

Xerox Corporation 137 Murray Blvd., Floor 1 Hagatna, Guam 96910

Tel: (671) 477-6422 Fax: (671) 472-3844

Email: Pamela.Quinata@xerox.com

Attn:

Pamela S. Quinata

General Manager / Area Sales Manager

Subject:

Response to Protest Letter dated July 18, 2016

Reference: Lease of Multifunction (Copy, Print, Scan, and Fax) Devices

FORMAL INVITATION FOR BID: GDOE IFB 004-2016

Dear Ms. Quinata,

This is a written response to your letter of protest dated July 18, 2016 regarding Guam Department of Education ("GDOE") Invitation for Bid No. 004-2016 ("IFB") for Lease of Multifunction (Copy, Print, Scan, and Fax) Devices.

After further review of your protest letter, <u>GDOE hereby DENIES your protest in it its entirety for the</u> reason discussed below:

The Attorney General's Signature is required in order to fully execute a contract.

On June 28, 2016, GDOE received an Agency Communication from the Attorney General's Office. The Attorney General's Office concluded that GDOE has no authority to utilize the Federal GSA Pricing and therefore refuses to approve the contract for IFB 004-2016. On July 5, 2016, GDOE submitted a Notice of Rejection of All Bids to all bidders, which included the aforementioned Agency Communication. Attached herewith is the Notice of Rejection sent to all Bidders.

Because the Attorney General's Office must review and approve the contract prior to award, GDOE cannot move forward with the current IFB and must reissue a new IFB that does not reference the Federal GSA Pricing.

Response to Protest Letter dated July 18, 2016 IFB 004-2016 Lease of Multifunction (Copy, Print, Scan, and Fax) Devices

Page 2 of 2

Given the facts and reasons stated above, GDOE hereby denies your protest in its entirety. Pursuant to 5 GCA §5425(e) you are hereby advised that you have a right to administrative and judicial review as allowed by the Guam Procurement Law. You may appeal this decision to the Guam Office of Public Accountability within fifteen (15) days.

Sincerely,

CARMEN T. TAITANO
Supply Management Administrator

Acknowledgement Receipt					
Print Name					
Signature					
Date	 Time				