STATE OF SOUTH CAROLINA) BEFORE THE SOUTH CAROLINA) PROCUREMENT REVIEW PANEL COUNTY OF RICHLAND) CASE NO. 1985-2

IN RE:) PROTEST BY SPERRY-RAND CORPORATION) O R D E R AND TANDY CORPORATION)

INTRODUCTION

This protest arises under Section 11-35-4410, as amended, and Section 11-35-4210, S.C Code Ann. (1976 and Cum. Supp.). Protestants Sperry-Rand Corp. (Sperry) and Tandy Corp. (Tandy) timely filed a protest of the award to International Business Machines (IBM) by Richland County School District No. 1 (District) of Bid No. 8485-29 for a Micro-Computer System and Peripherals.

The Materials Managment Officer, as Chief Procurement Officer (CPO) for the State, held a hearing on May 3, 1985, in which all parties listed above were represented by counsel. The CPO restricted his hearing to legal argument on the question of his jurisdiction to hear the protest. On May 8, 1985, he issued a

written decision holding that he had no jurisdiction in the matter.

After this decision the protestants timely sought a hearing with the S.C. Procurement Review Panel (Panel).

All parties were notified by letter of June 7, 1985, that the Panel would conduct a hearing on the protest on July 1, 1985. They were further advised that should the Panel determine it had jurisdiction this hearing would consider the merits in the interests of economy of effort. No parties raised any objection to a hearing on the merits at this time and all parties brought their witnesses on that date.

On July 1, 1985, the Panel conducted a hearing to determine if the Panel had jurisdiction over this protest. All parties were present and represented by counsel. After deliberation, the Panel ruled orally that it had jurisdiction in this matter under the S.C. Consolidated Procurement Code, as amended, and that a hearing on the merits would be held on July 29, 1985, at 9:00 a.m.

The District initiated an action in the Circuit Court for injunctive relief to prevent the Procurement Review Panel from hearing this matter under the provisions of the S.C. Consolidated Procurement Code and for the judicial review of the Panel's determination of jurisdiction. The Honorable Tom Ervin, Judge in the Fifth Judicial Circuit, conducted a hearing on July 17, 1985, to consider the District's request for injunctive relief. The request for injunctive relief was denied. The petition for judicial review is pending at this time.

The Panel met on July 29, 1985, at 9:00 a.m. to consider the protest by Tandy and Sperry in this matter. The Panel consisted of

Senator Hugh K. Leatherman, Sr., Chairman, Harriette Shaw, Vice-Chairman, Jeffrey Rosenblum, and Jules Hesse. All parties waived the absence of a quorum and the Panel heard the protest on the merits.

FACTUAL BACKGROUND

The District contemplated the purchase of computers as early as the fall of 1984. At this time the District had received \$63,466 under the S.C. Educational Improvement Act (EIA) for high technology equipment in vocational education courses. (District Board Minutes, 12/17/84) This recommendation resulted from an informal process and no official bids were ever sought by the District. At the District Board meeting of December 17, 1984, Dr. Jimmy Bales, Director of Career Education, presented a recommendation that the District purchase 120 microcomputers from IBM. The recommendation was not approved by the District Board and subsequently the request for proposal Bid # 8485-29 was issued.

The District issued a solicitation for Micro-Computer System and Peripherals, Bid #8485-29 on March 15, 1985. At the time of this bid solicitation the District had received three additional grants from the State Department of Education in the following amounts: \$39,060.00; \$53,340.00; \$52,500.00. The total amount received was \$208,366.00. It was earmarked for purchase of microcomputers ("high technology" equipment) for certain vocational programs in specified schools. All of the money had to be expended by June 1, 1985, or it would be forfeited back to the State Department. (Letter and

attachments of Francis Mack, Attorney for District 7/30/85 to Helen McFadden, Attorney to Panel)

On March 27, 1985, the bids were opened in the main conference room at Central Services Facility. The bid proposals as tabulated at this time ranged from a low of \$176,972.27 submitted by Tandy to a high of \$257,804.86 submitted by IBM (Memo from John Stevenson, 4/8/85, p. 155 Notebook).

Part III, Special Instructions, of the formal request for proposal issued by the District (NB 156-166), Section 7 (NB 162), deals with the award of the contract. It provides that:

"An award resulting from this request shall be awarded to the responsive and responsible bidder whose bid is determined to be most advantageous to the District, taking into consideration price and the evaluation factors set forth herein; (emphasis added) however, the right is reserved to reject any and all bids received and in all cases the District will be the sole judge as to whether a bid has or has not satisfactorily met the requirements of this RFB.

Upon completion of evaluation, the responsible bidder will be notified and a Purchase Order will be issued for exact quantities of equipment."

The evaluation criteria were listed under Part III, Special Instructions, Section 16.1, (NB 164-165) as follows:

The following factors - listing in order of relative importance - will be taken into consideration for purposes of bid evaluation: (a) Conformance of bid to RFB specifictions; (b) Suitability of proposed system for purpose; (c) Compliance to education and training. (In all cases, the District will be the sole judge as to whether a bid has or has not satisfactorily met the requirement of this RFB); (d) Vendor record of performance and integrity and financial strength; (e) Proposed maintenance

The Notebook, hereinafter NB, is a volume of correspondence, memos and documents jointly submitted by agreement of all parties to the protest. Pagination was done by Panel staff for ease of reference at the hearing.

plan and the location of parts and vendor personnel needed to service and support the proposed system; (f) Total cost to be incurred by the District including five (\$) years present annual maintenance rate less initial warranty period of system.

A review committee consisting of two members of the District's department and two outside evaluators with prior vocational experience in evaluating computer hardware was assembled by the District to evaluate the bids determined to be in compliance with the bid specifications. (Transcript 124-26). The concluded that only four of the bids submitted met the hardware specifications of the bid proposal and these four were reviewed by the evaluation team: Tandy, Sperry, Intertec, and IBM. The review committee used an evaluation form consisting of six (6) factors with a combined total of one hundred (100) points. (NB 176-271) These factors and their weights included: 1) Conformance of bid to specifications - yes or no; 2) Suitability of proposed system - 35; 3) Compliance to education and training - 30; 4) Vendor record of performance and integrity and financial strength - 15; 5) Proposed maintenance plan, location of parts, vendors service and support personnel - 10; and 6) Total Cost - 10.

The review committee members individually appraised the proposals and met on April 8, 1985, to tabulate their appraisals. The proposals were ranked according to their evaluation factor weights as tabulated by the review committee members. The rankings as tabulated were: 1) I.B.M.; 2) Sperry-Rand; 3) Tandy, and 4) Intertec. In a letter dated April 8, 1985, (NB 116) from John R. Stevenson, Deputy Superintendent, to members of the Board of District I, the administration recommended that Bid #8485-29 (Microcomputer System and Peripherals) be awarded to IBM.

In a letter dated April 9, 1985, from John H. Porter, Jr., Director of Purchasing for the District, to Mr. Colie Dyson of IBM (NB 120), IBM was notified that its bid proposal had been accepted. A purchase order was included with this notification and notice to proceed with the requirements of the bid proposal was given. (NB 121-128)

Subsequent to these letters the District found errors in the tabulation and scoring of its evaluators. It recalled its review committee to meet at 10:00 a.m. on April 10, 1985, to review the scoring by Evaluator 2 given to IBM for factor 5 of the bid. The maximum of points allowed for factor 5 was 10, but IBM had received a total of 13.59 for factor 5. Evaluator 2 advised that an error had been made and she corrected her point total for factor 5 to reflect 10 points. (NB 118) The overall point total for IBM was revised to reflect this reduction; IBM retained its number one ranking.

FINDINGS OF FACT

1. The Evaluation Process

The responses to the District's solicitation for bids on Project #8485-29 were opened on March 27, 1985. There were nineteen responses. At that time three bids were rejected for non-compliance with the bid instructions and six responses contained no bid; another company was rejected for being late. Nine bids were

tabulated. (Sperry Exh. 1) On March 29 the evaluators' committee held its first meeting and reviewed the bids for compliance with Four vendors, IBM, Sperry, Tandy and hardware specifications. specifications and the the hardware Intertec. complied with four bids of evaluate the committee adjourned to individually. (Transcript 248).

The committee met again on April 2 to clarify any questions a member might have and determine if demonstrations would be required of the four vendors being evaluated. The demonstrations were scheduled for April 4. On April 8 the committee met to turn over its individual evaluations to Mr. Porter, District Director of Purchasing. (Transcript 249-50)

According to Ms. Hawkins' testimony the evaluation process and the choice of evaluators was designed to provide the District a means to select the best educational product, not merely the lowest bid on these computers. (Transcript 233-47). The evaluators were chosen for their experience and judgment to review the materials supplied by the vendors and the demonstrations, then to rank the vendors on the evaluation criteria exercising their professional judgment. (Id.)

A comparison of the Bid Tabulation forms (Sperry Exh. #2) indicates a significant disparity between the scores given by three of the evaluators and the remaining Evaluator, No. 2. (See comments of Evaluator 4, Transcript 278) A breakdown of these numerical evaluation totals illustrates the disparity. For Tandy, Evaluator 1 awarded an 80, 2 awarded 56.71, 3 awarded a 77, and 4 awarded a

81.25. The average of Evaluators 1, 3, and 4 is 79.42. Evaluator 2 awarded a score 22.71 points below the average of the other evaluators.

For intertec, Evaluator 1 awarded a 76.40, 2 awarded a 56.20, 3 awarded a 91.93, and 4 awarded a 77.99. The average of evaluators 1,3, and 4 is 82.11. Evaluator 2 awarded a score 25.91 points below the average of the other evaluators.

For Sperry, Evaluator 1 awarded a 95.80, 2 awarded a 66.38, 3 awarded a 95.97, and 4 awarded an 86.96. The average of evaluators 1, 3, and 4 is 92.91. Evaluator 2 awarded a score 26.53 points below the average of the other evaluators.

For IBM, Evaluator 1 awarded a 95, 2 awarded a 92.79, 3 an 87.50, and 4 an 89.21. The average of evaluators 1, 3, and 4 is 90.57. Evaluator 2 awarded a score 2.22 points above the average of the other evaluators.

In written communication, both on the evaluation sheets (NB 176-83; 224-231) and by separate letter, Evaluator 2 indicated a decided preference for IBM and based her evaluation of the other vendors on factors not listed in the request for bids from the District. On April 8, the day the evaluations were tallied, Evaluator 2 gave to Dr. Stevenson, the Deputy Superintendent in charge of this procurement, and Mr. Porter, the District's Director of Purchasing, a letter as follows:

I again support the recommendation to purchse the IBM Computer and the IBM Wheelwriter III printer. (I feel my recommendations probably should have more weight possibly than members who work strictly in office situations. This stand is based on my business world work experience, education, and actual work

experience with the schools and students.) The following are the additional comments which I feel I must make as a committee member, a teacher, and coordinator of the vocational programs:

- 1. The equipment should be the best insofar as durability, smoothiness (sic) of operation, and longevity. My constant movement in and out of the classrooms everyday allows me to be aware of the intangible and tangible requirements made on teachers more than warrants (sic) a situation which will guarantee the teacher and students a working environment with equipment that is durable, runs smoothly, and operates efficiently that is with no "juggling and pulling" of plugs repeatedly!!
- 2. IBM has a staff of persons trained in "education and business". These people have worked with our teachers for many years. They (IBM) have participated in meetings, programs, seminars, conventions, constantly taking part in educating our teachers. Just recently (see attached), IBM provided a leader for a hands-on workshop at our Southern Business Education Association held at Hilton Head Island. Business Education has four meetings a year (local, state, regional) and IBM personnel have participated for many, many years. IBM has also participated in the Vocational Directors conventions on numerous occasions. Where has Sperry, (sic) and others been during these times? Does Sperry personnel (sic) and others know or will they meet the needs of our teachers and students?
- 3) IBM has been there responding to telephone calls to get information for education of our teachers and students.
- 4) <u>Software</u>. IBM has worked constantly with Business Education publishers such as Southwestern, Prentice Hall, to develop materials for business applications in the areas of Data Processing, Word Processing, Office Procedures, Accounting 1 & 11, and so forth. Where have other companies been?
- 5) Future existence of company? Information gathered through business section of newspapers and magazines indicates the IBM company will be around for a long time!!"

(Emphasis in the original, NB 34)

Evaluator 2 noted on her evaluation form (NB 22) that Sperry was "never seen at any local, state, or national meeting." No information on participation in educators' meetings was requested in the solicitation, but evaluator 2 obviously took this into consideration in her evaluation.

In addition, on NB 224, evaluator 2's bid evaluation form for Sperry has the notations "How often have they contacted schools? Never" and "Any effort to educate teachers? No". There is no explanation of what attempts, if any, were made to secure this information from all bidders. This information was not requested from bidders and was not listed in the evaluation factors or the bid evaluation form.

Evaluator 2 based her judgment as to Factors 3, 4, and 5 of the evaluation criteria on personal knowledge of events in which IBM had participated. No other vendor was requested to specify as to factors 3, 4, and 5 whether he had participated in similar programs or program development. (Transcript 83-85; 291)

Both protestants, Sperry and Tandy, testified as to the educational personnel and participation supported by their respective companies. (Transcript 26-30, 82-88). Thus, had the District solicited this information, the protestants could have provided it for comparison to IBM. Evaluator 2 judged the other vendors by the standards she felt IBM met even though there is no concrete evidence alleged or available on which to base this judgment. Evaluator 4 restricted her consideration to materials furnished with the vendor's proposal (Transcript 327). Evaluators 4, 1, & 3 were substantially similar in their ratings of vendors.

11. The Type of Solicitation

The District called Bid #8485-29 a Request for Bids. The S.C. Consolidated Procurement Code, Title 11, Chapter 35, Article 5, S.C.

Code Ann. (1976 & Cum. Supp.) makes distinctions between the treatment of requests for proposals and bids. A bid is awarded on the basis of price alone, the low bidder who is responsible and responsive receives the award. In a request for proposal the price is one of many factors to be considered in determining the most advantageous proposal. The District referred to this matter as a Request for Bid (District Exh. #1 at 2) as well as a Bid Proposal (1d. at 3). The bids were opened on March 27, 1985, prices were announced and proposals were then subjected to further review and evaluation by the four person committee prior to award of the contract.

The District did only one thing that was consistent with terming Bid #8584-20 a "bid." It announced the bottomline figures of each proposal on bid opening day. (Transcript 36, 191) In all other aspects of its process of award the District appears to have treated the solicitation as a request for proposals. And further there was apparently no misunderstanding of this intended treatment by the two protestants Tandy (Transcript 48-50) and Sperry (Transcript 88-89).

Consistent with a request for proposal, the District set up a procedure to communicate with vendors whose bids were being considered. (Transcript 115-16; 306) The District apparently requested further information only from IBM. (NB 51-55, IBM response) The evaluation process itself is the prime indicator that this solicitation was a request for proposals rather than a competitive sealed bid.

The Panel finds that this soliciation was a competitive sealed proposal. The proposals were to be opened on March 27, 1985, but award of the contract was to be made only after the evaluators had an opportunity to subject the proposals to the bid evaluation factors as set forth in the request for proposal.

DISCUSSION OF THE LAW

1 The Evaluation Process

Section 11-35-1530(7) provides that "Award shall be made to the responsive offeror whose proposal is determined in writing to be the most advantageous to the State, taking into consideration price and the evaluation factors set forth in the request for proposals. No other factors or criteria shall be used in evaluation (emphasis added) and there shall be adherence to any weightings specified for each factor in the request for proposals. The contract file shall contain the basis on which the award is made and be sufficient to satisfy external audit."

Section 11-35-20 sets forth the purpose and policies of the S.C. Consolidated Procurement Code. Among these purposes and policies are: 1) To require the adoption of competitive procurement laws and practice by units of state and local governments; 2) To promote increased public confidence in the procedures followed in public procurement; 3) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State; 4) to

provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State; 5) to foster effective broad-based competition for public procurement within the free enterprise system; and 6) to provide safeguards for the maintenance of a procurement system of regularity and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process. Section 11-35-20(c)(d)(e)(f)(g)&(h) S.C. Code Ann. (1976 & Cum. Supp.)

To allow an evaluator to utilize factors outside those set forth in the bid proposal violates the requirements, the stated purposes and the policies of the Procurement Code. The use by Evaluator 2 of factors outside of those stated in the solicitation is forbidden by the statute and indicates a predetermination in the mind of Evaluator 2 to select IBM rather than to weigh the relative merits of each proposal.

Courts in considering bias, of administrative agencies have adopted a rule that prior consideration or possible bias is not fatal to the due process rights of a party. To impair due process which is often characterized as fairness to all parties, the administrative agency must be "so biased by prejudgment [or] pecuniary interest that it could not constitutionally conduct hearings." First American Bank & Trust Co. v. Ellwein, 221 N.W. 2d 509, 512 (N.D. 1974) construing, Gibson v. Berryhill, 411 U.S. 564 (1973); accord, Withrow v. Larkin, 421 U.S. 35, 46-51 and n. 16 (1975). As cited in note 16 of Withrow, bias has been found in a

member's speeches or in the signing of a brief, actions analogous to the letter and comments of Evaluator 2 as actions indictive of a predetermination.

Type of Solicitation

Counsel for the District, IBM, and Sperry contend that this solicitation was a competitive sealed proposal as described in Section 11-35-1530. Counsel for Tandy contends that this was a competitive sealed bid as described in Section 11-35-1520. The Panel finds that this solicitation was a competitive sealed proposal, for the reasons outlined previously.

Because the Panel finds that the solicitation was a request for proposals it does not find the communication between the vendors and the District objectionable. The purpose of the communication was "to assure full understanding of, and responsiveness to the solicitation requirements." Section 11-35-1530(6). Offerors seem to have been "accorded fair and equal treatment" (<u>Id</u>.) insofar as the communication with IBM, Sperry, Tandy did not result in a substantial change in the quantity or capability of any vendors' proposed equipment such that if similar information were solicited from other vendors it would have changed their dollar figures for proposals. (NB 31, 51-55; Sperry Exh. 3)

III. Jurisdiction

The parties disagreed as to the application of Act 109 (1985), an amendment to Section 11-35-4410 of the Code to this proceeding. The Panel has jurisdiction of this matter under the provisions of Act 493 (1984) and Act 109 (1985), an amendment to Act 493.

Counsel for the District and IBM assert that it is the act of publication of a District's expenditures that is the prerequisite to coverage of a school district under the Procurement Code pursuant to Act 493 (1984). To construe the statute in such a manner would allow a printer to determine the application of a statute to class of political subdivisions. This is ludicrous and makes a mockery of the legislative intent to require adherence to the Code for large school districts. It is the determination of expenditures by the District which is the trigger for coverage. The District was aware that its figures exceeded \$75 million when it prepared its audited report in October of 1984 and submitted it to the State Superintendent of Education for publication in his annual report.

In Section 1 of Act 109 of 1985 the General Assembly amended Act 493 (1984) to clarify its original intention. The reference to publication was deleted. School Districts are required to "notify the Director of General Services of its expenditures within 90 days after the close of its fiscal year." This amendment clarifies the previous and continuing intention of the General Assembly that when expenditures exceed seventy-five million dollars a District's procurement is governed by the Consolidated Procurement Code. Title

11, Chapter 35, S.C. Code Ann. (1976 & Cum. Supp.) To require the act of publication to invoke jurisdiction would be contrary to the spirit and to the intent of the law.

Alternatively, the District and IBM argue that the approval of the District's own procurement procedures by the Director of General Services in a letter dated June 18, 1985, divests the Panel of any jurisdiction in this matter. The Panel cannot, without having the issue squarely before it, rule on the correctness of the Director's decision. However, the Panel has based its jurisdiction on events antecedent to the Director's approval and entertains in this protest a contractual matter executed prior to June 18, and protested prior to June 18. From the filing of the protest the protestants have a vested interest in the procedures in place for their redress. The time periods have run on their right of protest and they have no right at this stage of their protest to enter any other forum. To divest this forum of jurisdiction results in the denial of any remedy to these protestants.

IV. Remedy

Section 2 of Act 109 (1985) amended Section 11-35-4410 of the Procurement Code to provide that the Panel could provide certain relief to bidders that had heretofore been available only from the Budget & Control Board. The Circuit Court in Logan Construction Co. v. Leatherman, et. al., Doc. No. 85-CP-40-3047 (Aug. 1, 1985), held that this section of Act 109 was remedial and therefore retrospective.

A curative or remedial statute is one passed to cure defects in prior law, or to validate legal proceedings, instruments or acts of public and private administrative authorities which, in the absence of such an act, would be void for want of conformity with existing legal requirements but which would have been valid if the statute had so provided at the time of enactment. It is evident that the 1985 Procurement Code amendments are curative or remedial. The statutes were amended to cure the defects that were made apparent by the order of the South Carolina Supreme Court in Ex-parte-S.C.Division of General Services, S.C.Division of General Services, <a href="Ex-parte-

Remedial or procedural statutes are generally held to operate retrospectively. Hercules Inc. v. South Carolina Tax Commission, 262 S.E. 2nd 45 (1980). The only exception is where application of such statutes would impair the obligations of contract or vested rights. Under Act 109 (1985) the Panel has the power to reaward the contract or require the District to have bids resubmitted in addition to other relief, if it so orders. In the exercise of its powers, the Panel must consider the hardships placed on the District, the vendors and innocent third parties such as the teachers and students in fashioning a remedy.

School will commence shortly and with the final educational program the contract will be fully executed. These computers have already been installed. Ordering a reaward or a rebid of the contract, although within the Panel's powers where justified, would be too harsh remedy to impose on teachers and students and would

expose the District to the risk of dual payments for full execution by two vendors.

However, money appropriated by the State for computers for vocational education has been spent in a manner which violates the Code and a remedy which recognizes this while balancing the equities can be fashioned. The District could have used these funds, improperly spent with one vendor, to buy additional computers or other types of hardware or materials for career education. (Transcript 322)

CONCLUSIONS OF LAW

- 1) S.C. Code Ann. (1976 and Cum. Supp. 1984), Section 11-35-1530, Act 493 (1984) and Act 109 (1985) apply to this solicitation.
- 2) S.C. Code Ann. (1976 and Cum. Supp. 1984), Section 11-35-1530(7) requires that: "Award shall be made to the responsive offeror whose proposal is determined in writing to be the most advantageous to the State, taking into consideration price and the evaluation factors set forth in the request for proposals. No other factors or criteria shall be used in evaluation and there shall be adherence to any weightings specified for each factor in the request for proposals. The contract file shall contain the basis on which the award is made and be sufficient to satisfy external audit."

- 3) A consideration of factors outside those listed in the Request for Proposal is inequitable, improper and violates Section 11-35-1530(7).
- 4) Bias is an "inclination, bent, prepossession; a preconceived opinion; a predisposition to decide a cause or an issue in a certain way, which does not leave the mind perfectly open to conviction. [It is a] [c]ondition of mind, which sways judgment and renders a judge unable to exercise his functions impartially in particular case." (Black's Law Dictionary, 5th Edition)
- 5) Evaluator 2 considered factors outside of those listed in the request for proposal in violation of Section 11-35-1530(7). Such consideration resulted in bias precluding fair judgment of all vendors in the evaluation process.
- 6) Vendors, pursuant to the stated policies and purposes of the Procurement Code, are entitled to have their response to solicitations evaluated by persons who are impartial, not biased or prejudiced, or predisposed to favor any vendor over others.
- 7) In dealing with the expenditure of public funds the procedure must not only be fair but the appearance of complete fairness must be present. Wall v. American Optometric Association, Inc., 379 F. Supp. 175 (1974) The purpose of the Code is "to ensure the fair and equitable treatment of all" vendors and to maintain "a procurement

system of regularity and integrity." S.C. Code Ann. Section 11-35-20(e)(h) (1976 & Cum. Supp.)

8) IBM received the award of this contract as a result of the bias exhibited by Evaluator 2 and this evaluator's consideration of factors outside of those listed in the request for proposal. Protestant Sperry should have been awarded the contract.

IT IS ORDERED that Richland County School District #1 pay over to the EIA Fund of the State the amount of \$18,266.65 less bid preparation costs to be paid to Sperry. This amount represents the difference between the state grants to the District for vocational education under the EIA of \$208,366.00 and the proposal of Sperry at \$190,099.35.

It is further ordered that Sperry will submit these costs to the Panel for consideration. The Panel retains jurisdiction of this matter to consider these costs and to order any additional reimbursement to Sperry of costs not to exceed \$18,266.65 which it may find to be in the interests of justice.

THE SOUTH CAROLINA
PROCUREMENT REVIEW PANEL

Hugh K. Leatherman, Sr.

Chairman

August 14, 1985