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OFFICE OF PUBLIC ACCOUNTABILITY

Doris Flores Brooks, CPA, CGFM Public Auditor

#### PROCUREMENT APPEALS

IN THE APPEAL OF TELEGUAM HOLDINGS, LLC and its WHOLLY OWNED SUBSIDIARIES, GTA TELECOM, LLC; GTA SERVICES, LLC; and PULSE MOBILE, LLC,

Docket OPA-PA-12-016

Appellants.

IN THE APPEAL OF PACIFIC DATA SYSTEMS, INC.,

Docket OPA-PA-12-017

Appellant.

IN THE APPEAL OF TELEGUAM HOLDINGS, LLC and its WHOLLY OWNED SUBSIDIARIES, GTA TELECOM, LLC; GTA SERVICES, LLC; and PULSE MOBILE, LLC,

Docket OPA-PA-12-018

Appellants.

#### CONSOLIDATED DECISIONS

Each of the above-captioned appeals arises from protests pertaining to Invitation for Bid (IFB) No. GSA-064-11. On November 21, 2012, the Public Auditor issued an Order Consolidating Appeals and Scheduling Order. Hearings on the consolidated appeals were held

(Footnote continues on following page.)

The Order provided that there shall be no oral argument on motions; that they shall be decided on the papers filed. (Order, ¶h). The following motions were filed and taken under advisement: OPA-PA-12-016: (i) Objection to Appeal, Motion for Dismissal (filed by PDS on October 15, 2012); (ii) Objection to PDS's Request for Hearing (filed by GTA on November 26, 2012); (iii) PDS's Motion to Reconsider Consolidation (filed by PDS for

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on January 29-30, 2013.

I. OPA-PA-12-016

# A. INTRODUCTION

This is the Decision of the Public Auditor for an appeal filed on October 8, 2012 by TeleGuam Holdings, LLC and its wholly owned subsidiaries, GTA Telecom, LLC; GTA Services, LLC; and Pulse Mobile, LLC (hereinafter "GTA"). GTA appealed an October 5, 2012 decision rendered by the General Services Agency (hereinafter "GSA") of the Government of Guam (hereinafter "GovGuam") denying GTA's protest of the Bid Status Intent to Award Bid Forms 2 and 3, a part of IFB No. GSA-064-11, to Pacific Data Systems, Inc. (hereinafter "PDS").

Hearings on the appeal were held on January 29-30, 2013, before Public Auditor Doris Flores Brooks and Hearing Officer Peter C. Perez, Esq. Vincent C. Camacho, Esq. appeared on behalf of GTA; Assistant Attorney General Fred Nishihara, Esq. appeared on behalf of GSA; and Bill R. Mann, Esq. appeared on behalf of PDS.

GTA asserted the following grounds on appeal: (1) That GSA erroneously revised the Bid Status relative to Bid Forms 2 and 3 because GTA's submission for Bid Form 3 was compliant with the Bid Specifications as provided by GSA; (2) That GSA erroneously determined that GTA submitted multiple price offers for Bid Form 3; and (3) That GSA

<sup>(</sup>Footnote continued from previous page)

each of the above-captioned appeals on December 5, 2012). OPA-PA-12-017: Motion in Limine to Exclude Irrelevant and Undisclosed Evidence (filed by GTA on December 24, 2012). OPA-PA-12-018: Motion to Compel (filed by GTA on November 30, 2012). The Public Auditor having considered each of the motions, and having determined that hearings should be held for each of the appeals, and evidentiary issues having been ruled upon in the course of the appeal hearings, each of the motions is denied as moot.

erroneously determined that PDS was the lowest responsible bidder for Bid Forms 2 and 3 in GSA's Revised Bid Status issued on May 3, 2012.

#### **B. FINDINGS OF FACT**

The Public Auditor issues this Decision based upon the procurement record, the documents submitted by the parties, and the testimony, evidence, and arguments presented at the appeal hearing and makes the following findings of fact:

- 1. On June 22, 2011, GSA issued IFB No. GSA-064-11 for Telecommunications Services, Mobile Telephone Services, Integrated Services Digital Networking (ISDN), Primary Rate of Interface (PRI), Basic Rate Interface (BRI), and Session Initiation Protocol (SIP) Trunks, GovGuam Wide Area Network (GGWAN) Data Communications Services, Broadband Internet Access, DSL/Cable or Wireless Internet Services, Television Services, Routers, Managed Switches, and Network Equipment, and Direct Inward Dialing (DID) Numbers. These products and services procured under the IFB would be available to all GovGuam line agencies and autonomous agencies for a period of five years subject to the availability of funds. The IFB also included an option to extend the agreement for two additional one-year periods, subject to availability of funds.
- 2. The intent of the IFB was to procure a consolidated, centralized telecommunications bid for services to GovGuam, with consideration given to economies of scale, and standardizing telecommunications services and equipment for GovGuam.
- On September 16, 2011, GSA issued a Response to Questions Lodged by Prospective Bidders. Bid Forms 0 through 15 were replaced by Revised Bid Forms (RBF) 0 through RBF 15.

4. On September 17, 2011, GSA issued another Responses to Questions Lodged by Prospective Bidders. The clarifications included:

BID FORM-The Bid Form in Excel can be picked up at GSA. For Bid Forms 0, 1, 4, and 7, the Bidders may use the Bid Forms as the Point-by-Point Response. The Bidder (sic) are reminded and shall read all of the requirements in the [E]xcel spreadsheet carefully before responding. The Bid Forms are in addition to any Bid specification provided for in Amendment No.:4 to this IFB. All Bid Forms were replaced and labeled RBF 0 through RBF 15. (Refer to Amendment No. 4 item # 34).

- 5. RBF 1, # 26 provided: "Feature Phone-The Centrex service must operate in tandem with the Feature Phones bid in Bid Form 3."
- 6. RBF 1, # 27 provided: "Caller ID-The Bidder shall provide Caller ID (name and Number) on all display phones."
- 7. In its response to RBF 1, GTA indicated that it acknowledged and would comply with RBF 1, # 26 and # 27.
- 8. RBF 3 required Bidders to identify their phones and phone features, including digital display phones in three of the six categories.
- 9. In its response to RBF 3, GTA identified model Cisco SPA501G as a phone described as "up to 8 line with Digital Display, HandsFree see data sheet", with a Monthly Lease to Purchase Price of \$3.52 and a Purchase Price of \$116.64. GTA also identified model Cisco SPA504G as a phone described as "4 line with digital display, Hand Free telephone see data sheet" with a Monthly Lease to Purchase Price of \$4.93 and a Purchase Price of \$163.30.
- 10. On February 14, 2012, GSA held a Clarification Meeting with GTA that included discussions regarding RBF 3. During the meeting, GTA did not disclose that Cisco SPA501G did not have a digital display.

- 11. On February 23, 2012, GSA requested that GTA clarify its Bid Form responses, including GTA's responses to RBF 3.
- 12. On March 1, 2012, GTA provided clarifications to its responses to the revised bid forms, including its responses to RBF 3. GTA clarified that "GTA Line Item 2 (Cisco SPA501G) is an 8 line phone that responds to GSA Bid Form 3 Line Items 2, 3, and 4 (Single, 4 and 6 line Digital with Digital Display, Hands-Free, Hold, Speaker Phone, Programmable Feature Keys and Wireless Headset Option). Additional features are described in the data sheet provided in the bid."
- 13. The data sheet for Cisco SPA501G did not identify caller ID as a feature. The data sheet included an image of the phone which appeared to have a digital display.
- 14. When the actual Cisco SPA501G phone is examined, it is clear that it does not have a digital display.
- 15. GSA relied upon the information and clarifications provided by GTA in determining that the Cisco SPA501G was the lowest priced phone compliant to the IFB specifications.
- 16. Based upon this reliance, on April 27, 2012, GSA recommended RBF 2 and 3 of the IFB be awarded to GTA.
- 17. On April 30, 2012, PDS filed a Protest on the recommendation.
- 18. GSA learned that the Cisco SPA501G phone did not have a digital display to support the caller ID feature.
- 19. GTA model Cisco SPA504G had a digital display and caller ID and was compliant with the IFB requirements; however, this model was not the lowest priced phone.

#### II. OPA-PA-12-017

#### A. INTRODUCTION

This is the Decision of the Public Auditor for an appeal filed on October 19, 2012 by PDS. PDS appeals the Protest decision rendered by GSA on October 5, 2012 regarding GSA procurement award decisions related to GTA's bid in IFB No. GSA-064-11 including specifically, but not limited to, GTA's submittal in RBF 10.

Hearings on the appeal were held on January 29-30, 2013, before Public Auditor Doris Flores Brooks and Hearing Officer Peter C. Perez, Esq. Vincent C. Camacho, Esq. appeared on behalf of GTA; Special Designated Assistant Attorney General Robert H. Kono, Esq. appeared on behalf of GSA; and Bill R. Mann, Esq. appeared on behalf of PDS.

PDS asserted three grounds on appeal: (1) That GSA should have rejected the entire GTA bid because GTA did not submit a valid Affidavit Disclosing Ownership and Commission in compliance with 5 G.C.A. § 5233; (2) That GSA should have rejected the GTA bid because GTA improperly conditioned its bid by including mandatory terms that were in direct contradiction to the IFB; and (3) That GSA should have rejected GTA's bid because it was an improper joint bid submission by Teleguam Holdings, LLC, GTA Telecom, LLC, GTA Services, LLC, and Pulse Mobile, LLC.

#### **B. FINDINGS OF FACT**

The Public Auditor issues this Decision based upon the procurement record, the documents submitted by the parties, and the testimony, evidence, and arguments presented at the appeal hearing and makes the following findings of fact:

- 1. On June 22, 2011, GSA issued IFB No. GSA-064-11 for Telecommunications Services, Mobile Telephone Services, Integrated Services Digital Networking (ISDN), Primary Rate of Interface (PRI), Basic Rate Interface (BRI), and Session Initiation Protocol (SIP) Trunks, GovGuam Wide Area Network (GGWAN) Data Communications Services, Broadband Internet Access, DSL/Cable or Wireless Internet Services, Television Services, Routers, Managed Switches, and Network Equipment, and Direct Inward Dialing (DID) Numbers. These products and services procured under the IFB would be available to all GovGuam line agencies and autonomous agencies for a period of five years subject to the availability of funds. The IFB also included an option to extend the agreement for two additional one-year periods, subject to availability of funds.
- 2. The intent of the IFB was to procure a consolidated, centralized telecommunications bid for services to GovGuam, with consideration given to economies of scale and standardizing telecommunications services and equipment for GovGuam.
- 3. RBF 10 solicited Integrated Services Digital Networking PRI Interface ("ISDN"), Integrated Services Digital Networking-Basic Rate Interface ("ISDN BRI"), SIP Trunks, and a DID Number Block of 25 numbers.
- 4. GTA submitted its bid for RBF 10 under the Bidder Name: Teleguam Holdings, LLC and its wholly owned subsidiaries GTA Telecom, LLC; GTA Services, LLC; and Pulse Mobile, LLC.
- 5. Teleguam Holdings, LLC and its wholly owned subsidiaries were appropriately licensed to conduct business in Guam.

- On March 26, 2012, the Public Utilities Commission issued an Order approving the transfer of Certificate of Authority and Eligible Telecommunications Carrier Certificate from GTA Telecom, LLC to Teleguam Holdings, LLC.
- 7. GSA did not deem GTA's submission a violation of the IFB.
- 8. On December 5, 2011, GTA submitted its Affidavit Disclosing Ownership and Commission. The affidavit was sworn to and executed by John J. Kim, GTA Vice President, Controller, and Authorized Officer. The affidavit stated that the persons, companies, partners, or joint venturers who have held more than 10% of the shares of interest in the offering business during the 365 days immediately preceding the submission date of the proposal are AP Teleguam Holdings, Inc. and Teleguam Holdings, LLC.
- 9. The affidavit was factually correct insofar as it went, but omitted the fact that within the 365 days immediately preceding the submission date of the proposal, and prior to June 2011, GTA experienced a change in ownership.<sup>2</sup> Prior to the change, GTA was owned by Shamrock Capital Advisors, GE Asset Management, Inc., and Teleguam Holdings, LLC.
- 10. The Special Reminder to Prospective Bidders of the IFB indicated that failure to submit an Affidavit Disclosing Ownership and Commission may be cause for disqualification and rejection of the bid.

This is not the first instance where GTA has failed to comply strictly with 5 G.C.A. § 5233. In *In the Appeal of Pacific Data Systems, Inc.*, OPA-PA-10-005 (Decision, January 12, 2011), the Public Auditor held *inter alia* that when GTA submitted a false Affidavit Disclosing Ownership and Commission, its Bid was non-responsive, that its affidavit could not be accepted by the purchasing agency, that the purchasing agency could not correct the false affidavit through a responsibility inquiry, that public policy favored rejection of the bid as non-responsive, and that the award of the contract to GTA was void.

- 11. On December 9, 2011, GSA opened the bid packets.
- 12. On January 20, 2012, GSA issued a written determination stating that GTA's Major Shareholder Affidavit contained discrepancies.
- 13. On April 18, 2012, prior to the award of the Bid, GSA's Chief Procurement Officer sent a memorandum to GTA requesting that GTA address the discrepancies and provide an updated Major Shareholder and Commission Affidavit.
- 14. On April 19, 2012, GTA submitted a revised Affidavit Disclosing Ownership and Commission, correcting the omissions of the first affidavit.
- 15. GTA included with its bid submission additional terms and conditions which conflicted with certain IFB requirements and Guam laws.
- 16. The IFB stated that bidders shall comply with all the terms and conditions of the IFB and GovGuam General Terms and Conditions for Sealed Bids.
- 17. By signing the IFB, GTA agreed to perform and be bound by all of the IFB terms and conditions.
- 18. GTA admitted that its submission of additional terms and conditions in its Bid was a mistake and that it agreed that it would be bound by all of the IFB terms and conditions.
- 19. GTA was bound to perform according to the IFB's terms and conditions.
- 20. GTA accepted all terms and conditions in the IFB.
- 21. GSA was free to reject any additional terms offered by any bidder, including those terms mistakenly submitted by GTA.
- 22. In making its decision regarding the bid, GSA did not consider the additional terms and conditions submitted by GTA in its Bid.

#### C. CONCLUSION

- 1. Teleguam Holdings, LLC is a holdings company which wholly owned its subsidiaries: GTA Teleguam, LLC, GTA Services, LLC, and Pulse Mobile, LLC.
- 2. In evaluating GTA's Bid, GSA viewed GTA as one entity.
- 3. GTA agreed to be bound by and perform under all of the IFB terms and conditions.
- 4. The IFB did not prohibit GTA from submitting a Bid by its holdings company and its wholly owned subsidiaries.
- 5. Appellant did not establish that GTA's Bid violated the IFB or Guam law.
- 6. Guam Procurement Law requires as a condition of bidding that an offeror submit an Affidavit Disclosing Ownership and Commission. 5 G.C.A. § 5233. The statute provides:

As a condition of bidding any partnership, sole proprietorship, or corporation doing business with the government of Guam shall submit an affidavit executed under oath that lists the name and address of any person who has held more than ten percent (10%) of the outstanding interest or shares in said partnership, sole proprietorship or corporation at any time during the twelve (12) month period immediately preceding submission of a bid. The affidavit shall contain the number of assets of such partnership, sole proprietorship, or corporation which have held by each such person during the twelve (12) month period.

7. In *In the Appeal of Pacific Data Systems, Inc.*, OPA-PA-10-005 (Decision, January 12, 2011), the Public Auditor held *inter alia* that when GTA submitted a false Affidavit Disclosing Ownership and Commission, its Bid was non-responsive, that its affidavit could not be accepted by the purchasing agency, that the purchasing agency could not correct the false affidavit through a responsibility inquiry, that public policy

- favored rejection of the bid as non-responsive, and that the award of the contract to GTA was void.
- The facts in the instant case are distinguishable from In the Appeal of Pacific Data Systems, Inc. In the instant case: (a) GTA's affidavit was not false, but instead omitted information concerning its prior ownership; (b) GSA discovered the affidavit discrepancy after opening the bid packets but prior to award; (c) GSA made a written determination that the GTA affidavit failed to include all ownership of that company for the past year and that this constituted a minor informality and did not have any effect upon the price, delivery, quantity, quality or contractual conditions; and (d) GTA's omissions in the first affidavit were mistakes which were corrected by GTA's April 19, 2012, affidavit.
- 9. GTA made a mistake when it included in its Bid additional terms and conditions. The inclusion of additional terms by a bidder may be viewed merely as offers which a purchasing agency may reject and the bidder remains bound to the specific terms and conditions contained in an IFB. In the Appeal of Town House Dept. Stores, Inc. dba Island Business Sys. & Supplies, OPA-PA-11-02 (Decision, August 8, 2012).
- 10. In making its decision regarding the bid, GSA did not consider the additional terms and conditions, and any additional terms and conditions submitted by GTA were deemed rejected.
- 11. GTA was bound by the terms and conditions of the IFB.

### III.OPA-PA-12-018

#### A. INTRODUCTION

This is the Decision of the Public Auditor for an appeal filed on November 5, 2012 by GTA. GTA appeals the October 19, 2012, decision rendered by GSA denying GTA's protest of the Bid Status Intent to Award RBF 11, a part of IFB No. GSA-064-11, to PDS.

Hearings on the appeal were held on January 29-30, 2013, before Public Auditor Doris Flores Brooks and Hearing Officer Peter C. Perez, Esq. Vincent C. Camacho, Esq. appeared on behalf of GTA; Assistant Attorney General Fred Nishihara, Esq. appeared on behalf of GSA, and Bill R. Mann, Esq., appeared on behalf of PDS.

GTA asserted the following grounds on appeal: (1) That GSA incorrectly awarded the 1 Gbps (equivalent to 1,000 Mbps) for the dedicated GovGuam Wide Area Network ("GGWAN") Data Communications Services to PDS who was not the lowest, responsive, and responsible bidder pursuant to the criteria set forth in the IFB; and (2) That GSA failed to apply objectively measurable criteria in evaluating the technical bids for the 10 Gbps bid and did not attempt to confirm GTA's bid as required by the Guam Procurement Rules and Regulations.

#### **B. FINDINGS OF FACT**

The Public Auditor issues this Decision based upon the procurement record, the documents submitted by the parties, and the testimony, evidence, and arguments presented at the appeal hearing and makes the following findings of fact:

 On June 22, 2011, GSA issued IFB No. GSA-064-11 for Telecommunications Services, Mobile Telephone Services, Integrated Services Digital Networking (ISDN), Primary Rate of Interface (PRI), Basic Rate Interface (BRI), and Session Initiation Protocol (SIP) Trunks, GovGuam Wide Area Network (GGWAN) Data Communications Services, Broadband Internet Access, DSL/Cable or Wireless Internet Services, Television Services, Routers, Managed Switches, and Network Equipment and Direct Inward Dialing (DID) Numbers. These products and services procured under the IFB would be available to all GovGuam line agencies and autonomous agencies for a period of five years subject to the availability of funds. The IFB also included an option to extend the agreement for two additional one-year periods, subject to availability of funds.

- 2. The intent of the IFB was to issue a consolidated, centralized telecommunications bid for services to GovGuam, with consideration given to economies of scale and standardizing telecommunications services and equipment for GovGuam.
- 3. IFB No. GSA-064-11 required:

The Bidder shall provide the price for a fiber DWDM based Wide Area Network (WAN) Network to connect GovGuam agencies. The service is a dedicated GovGuam wide service and must provide 100% CIR between two GovGuam locations configured on the ring. The Bidder shall provide an LC interface for interface to high capacity switches/routers.

- 4. RBF 11 contained two sections: 1,000 Mbps or 1 Gbps and 10,000 Mbps or 10 Gbps.
  Each section required an installation price (per node) and a Per Node Monthly
  Recurring Cost (MRC) including all surcharges.
- 5. GSA hired a consultant concerning the IFB. As to RBF 11, GovGuam wanted only one provider, envisioning one carrier to increase efficiency and to avoid incompatibilities, duplicate costs, and other potential problems which might arise with more than one provider.
- 6. Bidders were advised that only one contract would be awarded for each part of the

IFB.

- 7. Although RBF 11 contained two sections, it was treated as one part and only one contract would be awarded for that part.
- 8. Over a long period of time, the Bidders were given the opportunity to ask questions and to seek clarifications regarding the IFB. The IFB was issued June 2011. The bidding closed six months later in December 2011.
- 9. In its response to RBF 11, GTA offered the following: (1) for 1,000 Mbps: Installation (per node)-waived; MRC-\$750; number of services-18; number of months-24; Total-\$324,000; (2) for 10,000 Mbps: Installation (per node)-\$48,832; MRC-\$9,400; number of services-18; number of months-24; Total-\$4,939,776.
- 10. GTA's Bid was compliant with the IFB.
- 11. In its response to RBF 11, PDS offered the following: (1) for 1,000 Mbps: Installation (per node) \$0; MRC-\$870; number of services-18; number of months-24; Total-\$375,840; (2) for 10,000 Mbps: Installation (per node) \$0; MRC-\$1,500; number of services-18; number of Months-24; Total-\$648,000.
- 12. PDS's Bid was compliant with the IFB.
- 13. GTA's Bid was the lowest for RBF 11 section for 1,000 Mbps.
- 14. PDS's Bid was lowest in the aggregate, when both sections of RBF 11 were added and totaled.
- 15. On May 3, 2012 GSA issued a Revised Bid Status. In it, GSA rejected GTA's RBF 11 due to price being higher than that of PDS and awarded RBF 11 to PDS.

#### C. CONCLUSION

1. Only one Bidder would be awarded a contract for RBF 11.

- 2. PDS's total bid price for RBF 11 was lower than that of GTA.
- 3. GSA's award of RBF 11 to PDS was proper.

## IV. DECISIONS

On the basis of the foregoing findings of fact and conclusions, the decisions of the GSA are affirmed in respect to each of the appeals, OPA-PA-12-016; OPA-PA-12-017 and OPA-PA-12-018. The Parties shall bear their respective costs and fees associated with these appeals.

This is a Final Administrative Decision. The Parties are hereby informed of their right to appeal from a Decision of the Public Auditor to the Superior Court of Guam in accordance with Part D of Article 9 of 5 G.C.A. §5481(a) within fourteen (14) days after receipt of a Final Administrative Decision. A copy of this Decision shall be provided to the Parties and their respective attorneys, in accordance with 5 G.C.A. §5702, and shall be made available for review on the OPA website at <a href="https://www.guamopa.org">www.guamopa.org</a>.

DATED this 6<sup>th</sup> day of March, 2013.

DORIS FLORES BROOKS, CPA, CGFM

Public Auditor of Guam