

Bednarz
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Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Construcciones Electromecanicas, S.A.

File: B-242656; B-242657; B-242659

Date: May 8, 1991

Jorge A. Campbell for the protester.
Lester Edelman, Esq., Department of the Army, for the agency.
Christine F. Bednarz, Esq., and James A. Spangenberg, Esq.,
Office of the General Counsel, GAO, participated in the
preparation of the decision.

DIGEST

Agency reasonably found a Panamanian corporation nonresponsible based on a review of submitted information that indicated the firm was experiencing severe financial difficulties that may not allow it to complete the work.

DECISION

Construcciones Electromecanicas, S.A. (Conelsa) (a Panamanian corporation) protests the rejection of its bids under the invitations for bids (IFB) Nos. DACA01-90-B-0129 (-0129), DACA01-90-B-0143 (-0143), and DACA01-90-B-0157 (-0157), respectively, for electrical construction work in Panama, issued by the Department of the Army, Corps of Engineers, Mobile, Alabama.

We deny the protests and claim for protest costs.

Conelsa submitted the lowest bid on each of the three IFBs (\$94,000, \$931,000, and \$279,000, respectively). By letter dated September 13, 1990 (received on September 19), Conelsa provided the agency with a financial statement, an independent auditor's report for 1988 and 1989, a record of the company, and a list of present contractual commitments. Relying upon this information, the pre-award survey team found Conelsa financially nonresponsible and recommended the rejection of its bids. The pre-award survey team based its finding upon two factors: that Conelsa's financial statements for both 1988 and 1989 reflected a net loss; and that Conelsa's list of current contractual commitments presented an untenable financial burden on such a financially weak firm.

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magnitude of Conelsa's apparent financial difficulties (as discussed below), we do not think the agency's failure to note that Conelsa's outstanding project obligations totaled only \$3 million, rather than \$5 million, affects the reasonableness of the agency's nonresponsibility determination in any material way.

The agency has provided an analysis of Conelsa's financial condition that shows the ratio of Conelsa's assets to liabilities, as reflected in its 1988 and 1989 financial statements, was very low and indicates a serious liability problem. The agency notes that the average industry ratio of assets to liabilities^{1/} for electrical contractors, like Conelsa, is more than twice Conelsa's ratio. Indeed, Conelsa's ratio is significantly lower than the lowest ratio of any rated electrical contractor. The ratio of Conelsa's cash plus accounts receivable to current liabilities was also calculated to determine whether the firm had sufficient short-term resources to start the three new contracts in question here. Conelsa's ratio in this regard is less than half the average industry ratio for electrical contractors. Here too Conelsa's ratio was much lower than any rated electrical contractor. Conelsa has not rebutted these analyses. We conclude that the agency could reasonably find that the firm was experiencing financial difficulty that could preclude it from performing the three contracts, whether it had \$3 million or \$5 million in outstanding contractual commitments.

The record shows the agency wanted to make these awards prior to September 30 in order to obligate its budgeted funds before they lapsed, and the financial information submitted by Conelsa from Panama to Mobile, Alabama, to support a determination of responsibility was only received by the Corps on September 19, which left little time to review the responsibility of Conelsa and the next low bidder. Under the circumstances, given the poor financial condition indicated by Conelsa's submissions, we do not think the agency was required to solicit further information or allow Conelsa to obtain additional financial backing prior to award. See ICR, Inc.--Recon., B-223033.2, Nov. 4, 1986, 86-2 CPD ¶ 516. After the awards were made on two of the IFBs, Conelsa proffered various statements to the agency from corporate and banking references. One bank stated that it had given Conelsa a seven figure line of credit, while a corporation promised financial and technical backing to complete these contracts. Since Conelsa submitted the banking and corporate references after Conelsa's bids were rejected and awards made, that information

1/ The standard industry ratios were taken by the agency from Dun and Bradstreet Inc.'s Industry Norm and Key Business Ratio: 1989.