Responsibility Determinations Under the Federal Acquisition Regulation: Legal Standards and Procedures

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Summary

This report discusses the standards and procedures that federal agencies use in making responsibility determinations under the Federal Acquisition Regulation (FAR). As a general rule, government agencies contract with the lowest-priced (or best-value) qualified responsible bidder or offeror. Responsibility is an attribute of the contractor, while price and qualifications are attributes of the bid or offer. Under the FAR, “[n]o purchase or award shall be made unless the contracting officer makes an affirmative determination of responsibility.”

To be determined responsible, prospective contractors must meet general standards, which include so-called “collateral requirements.” These standards apply to all procurement contracts, even if they are not incorporated into the solicitation. They include the following seven criteria related to contractors’ capabilities and conduct: (1) adequate financial resources; (2) ability to comply with the delivery or performance schedule; (3) satisfactory performance record; (4) satisfactory record of integrity and business ethics; (5) necessary organization and experience; (6) necessary equipment and facilities; and (7) otherwise qualified and eligible. The seventh criterion—“otherwise qualified and eligible”—encompasses collateral requirements, or other provisions of law specifying when contractors are disqualified from or ineligible for awards.

Under current collateral requirements, contractors must be found nonresponsible when, among other things, they (1) do not comply with federal equal employment opportunity requirements; (2) fail to agree to an acceptable plan for subcontracting with small businesses; (3) are known government employees; (4) are quasi-military armed forces; or (5) have unavoidable and unmitigated organizational conflicts of interest. Unlike performance standards, which assess whether prospective contractors can be expected to complete the contract work in a timely and satisfactory manner, collateral requirements ensure that the government’s dealings with contractors promote socioeconomic goals.

In addition to the general standards, contractors may have to meet special standards, also known as “definitive criteria,” which apply only to specific acquisitions. Special standards must be expressly included in agencies’ solicitations. They are used when unusual expertise, special facilities, or specific experience or equipment are necessary to ensure that the government’s needs are satisfied.

Contracting officers determine prospective contractors’ responsibility prior to each contract award by considering information submitted by the contractor or otherwise acquired by the agency. When they lack sufficient information to determine that the contractor is responsible, they must make a determination of nonresponsibility. Contractors are generally not entitled to due process when contracting officers make a responsibility determination, meaning that they typically do not get notice of nonresponsibility determinations or an opportunity to present evidence regarding their responsibility.

Contracting officers have substantial discretion in making determinations, and judicial or other tribunals will generally hear protests regarding responsibility determinations only in limited circumstances. The Government Accountability Office, in particular, will only hear protests which allege that special standards (i.e., definitive criteria) were not met, or that identify evidence raising “serious concerns” that the contracting officer unreasonably failed to consider available relevant information or otherwise violated statute or regulation.
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Introduction

Like private contracting parties, the federal government generally “enjoys the unrestricted power ... to determine those with whom it will deal[] and fix the terms and conditions upon which it will make needed purchases.”¹ In exercising this power, the government typically awards contracts to the lowest-priced (or best-value) qualified responsible bidder or offeror, with responsibility being an attribute of the contractor and price and qualifications being attributes of the bid or offer.² The awardee must possess all three attributes. If a prospective contractor is not responsible, for example, it is ineligible for the proposed contract even if it is qualified to perform the work and its bid is the lowest, or its offer represents the best value for the government.³ This focus upon contractors’ responsibility, in particular, exists because:

[t]he award of a contract to a supplier based on lowest evaluated price alone can be false economy if there is a subsequent default, late deliveries, or other unsatisfactory performance resulting in additional contractual or administrative costs. While it is important that Government purchases be made at the lowest price, this does not require an award to a supplier solely because that supplier submits the lowest offer.⁴

Currently, the Federal Acquisition Regulation (FAR) specifies that “[n]o purchase or award shall be made unless the contracting officer makes an affirmative determination of responsibility.”⁵ Contracting officers make responsibility determinations after considering whether prospective contractors meet certain legal standards specified in the FAR. They make these determinations using procedures also specified in the FAR.

This report provides an overview of the legal standards and procedures currently used in making responsibility determinations. It discusses (1) how responsibility determinations relate to other mechanisms that the government relies upon to ensure that contractors are responsible and otherwise eligible for federal contracts; (2) the performance-related and collateral standards used in making responsibility determinations; (3) the procedures for making responsibility determinations; and (4) recently enacted and proposed amendments to the standards or procedures for responsibility determinations.

² This has been the federal government’s policy since its earliest days. See, e.g., James F. Nagle, History of Government Contracting 50 (2d ed. 1999) (describing how Robert Morris used awards to the lowest-priced qualified responsible bidder in contracting for the U.S. Army during the Revolutionary War).
³ Under the Competition in Contracting Act (CICA), federal agencies may award procurement contracts only to “responsible bidders” or “responsible sources.” 10 U.S.C. §2305(b)(3) and 41 U.S.C. §3702(b) (“responsible bidders” in sealed bidding); 10 U.S.C. §2305(b)(4)(C) and 41 U.S.C. §3703(c) (“responsible sources” in negotiated procurements). Citations to CICA’s codification generally reference two titles of the United States Code: Title 10 governing procurements by defense agencies, NASA, and the Coast Guard, and Title 41 governing procurements by civilian agencies. When the lowest priced bid or best-value offer is from a nonresponsible contractor, the award is made to the next lowest bidder, or the next best-value offeror, who is responsible.
⁴ 48 C.F.R. §9.103(c).
⁵ 48 C.F.R. §9.103(b). Federal statutes provide a definition of “responsible source,” and generally require that contracts be awarded to responsible sources. See, e.g., 41 U.S.C. §113 (defining “responsible source”); 41 U.S.C. §3702(b) (“The executive agency shall evaluate the bids in accordance with section 3701(a) of this title without discussions with the bidders and … shall award a contract with reasonable promptness to the responsible source whose bid conforms to the solicitation and is most advantageous to the Federal Government, considering only price and the other price-related factors included in the solicitation.”). However, most of the requirements pertaining to responsibility determinations discussed herein derive from regulations (e.g., the FAR), not statute.
Responsibility Determinations Under the Federal Acquisition Regulation

Mechanisms for Ensuring Contractor Responsibility

In considering whether contractors are sufficiently “responsible” to perform federal contracts, agencies consider whether prospective contractors (1) can be expected to complete contract work on time and in a satisfactory manner; (2) are organized in such a way that doing business with them promotes socioeconomic goals; and (3) meet statutory or regulatory requirements for eligibility. Currently, under the FAR, the government relies upon two primary mechanisms for avoiding nonresponsible contractors: responsibility determinations and exclusion (i.e., debarment and suspension). This section provides a basic overview of the differences between responsibility determinations and exclusion. The remainder of the report then explores how responsibility determinations help ensure that federal contractors are responsible. A separate report, CRS Report RL34753, Debarment and Suspension of Government Contractors: An Overview of the Law Including Recently Enacted and Proposed Amendments, by Kate M. Manuel, describes the role of debarment and suspension in excluding nonresponsible contractors.

Responsibility determinations are sometimes confused with responsiveness determinations; evaluation of past performance in negotiated procurements; and qualification requirements. However, all of these focus upon contractors’ bids, not the contractors themselves, and are thus beyond the scope of this report.

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6 The government had a practice of avoiding awards to nonresponsible contractors prior to CICA. See, e.g., O’Brien v. Carney, 6 F. Supp. 761 (D.C. Mass. 1934); 7 Comp. Gen. 547 (1928). However, the concept of responsibility was not expressly included in federal procurement statutes until 1947-1949, when the Armed Services Procurement Act and the Federal Property and Administrative Services Act were enacted, requiring awards to responsible bidders. See 10 U.S.C. §2305(c) (1948) and 41 U.S.C. §253 (1950).


8 Responsiveness determinations focus upon whether bids conform in all material respects to agencies’ invitations for bids. 48 C.F.R. §14.404-2(a) (“Any bid that fails to conform to the essential requirements of the invitation for bids shall be rejected.”). While responsibility is determined when the contract is awarded, responsiveness is determined when the bid is opened. This difference in timing means that a contractor that was not responsible at the time of bid opening could become so prior to the time of contract award. See, e.g., LORS Med. Corp., Comp. Gen. B-259829.2 (April 25, 1995) (contractor responsible by the time of award because it had adequate financial resources after forming a joint venture subsequent to bid opening). The same is not true with responsiveness; a bid that is not responsive at the time when bids are opened cannot later become so.

9 Responsibility determinations are themselves based, in part, on consideration of contractors’ past performance, or factual information and qualitative judgments about contractors’ performance history. See 48 C.F.R. §9.105-1(c) (“In making the determination of responsibility, the contracting officer shall consider information in FAPIIS [the Federal Awardee Performance Integrity Information System] ..., including information that is linked to FAPIIS such as from the Excluded Parties List System (EPLS) and the Past Performance Information Retrieval System (PPIRS), and any other relevant past performance information ....”). Past performance is, however, also an evaluation factor used in determining to whom to award contracts in negotiated procurements above the simplified acquisition threshold (generally $150,000). See generally CRS Report R41562, Evaluating the “Past Performance” of Federal Contractors: Legal Requirements and Issues, by Kate M. Manuel.

10 Qualification requirements are “requirement[s] for testing or other quality assurance demonstration that must be completed by an offeror before award of a contract.” 41 U.S.C. §3311(a). CICA allows federal agencies to consider only contractors that have already met testing or quality-assurance requirements when certain conditions are satisfied. See 10 U.S.C. §2319 and 41 U.S.C. §3311. Chief among these conditions is that the agency head prepares a written justification (1) stating the need for the qualification requirement, as well as why the requirement must be demonstrated before contract award; (2) estimating contractors’ likely costs for testing and evaluation; and (3) specifying all requirements a potential offeror or product must satisfy to become qualified. 48 C.F.R. §9.202(a)(1)(i)-(iii). Qualification requirements increase the likelihood that government contractors will perform successfully by limiting the pool of eligible contractors to those that have already demonstrated specific capabilities.
Responsibility Determinations

Contracting officers make responsibility determinations after considering seven factors, discussed in more detail below, related to contractors’ resources and conduct. Because no purchase or award may be made “unless the contracting officer makes an affirmative determination of responsibility,” a nonresponsible contractor is ineligible for the proposed contract. Determinations of nonresponsibility are, however, award-specific, and contractors who are determined nonresponsible for the award of one contract could become responsible prior to the award of another contract. New, current, and former government contractors are equally subject to the requirement for responsibility determinations. Contractors are generally not guaranteed due process when contracting officers make responsibility determinations. These determinations are largely committed to the contracting officer’s discretion. Protesters have standing to challenge responsibility determinations before the Government Accountability Office (GAO) or the federal courts only in limited circumstances. Even when protesters can demonstrate standing, judicial and administrative tribunals generally decline to overturn contracting officers’ responsibility determinations unless the protester can show that the determination was clearly unreasonable given the record before the contracting officer.

Exclusion Determinations

Agencies also use exclusion—as debarment and suspension are collectively known—to avoid dealing with nonresponsible contractors. Decisions to exclude are made by agency heads or their designees (above the contracting officer’s level) based upon evidence that contractors have committed certain integrity offenses, including any “offenses indicating a lack of business integrity or honesty that seriously affect the present responsibility of a contractor.” Contractors

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12 48 C.F.R. §9.103(b).
14 But see Old Dominion Dairy Prods., Inc. v. Sec’y of Def., 631 F.2d 953 (D.C. Cir. 1980) (holding that the government denied a bidder found to be nonresponsible because of concerns about its integrity due process when it failed to advise the bidder of these concerns on the grounds that notice and an opportunity to be heard are “essential” “where a person’s good name, reputation, honor, or integrity is at stake because of what the Government is doing to him”).
15 See, e.g., Molded Insulation Co., Comp. Gen. B-151834 (November 29, 1963) (“In view of the discretion vested in the contracting agency with respect to such matters we must conclude that there is no basis upon which we may question the legality of the award made pursuant to the invitation.”).
16 See, e.g., GAO, Office of General Counsel, Bid Protests at GAO: A Descriptive Guide 39 (9th ed. 2009), available at http://www.gao.gov/decisions/bidpro/bid/d09471sp.pdf (protester has standing only when the protest alleges that definitive responsibility criteria were not met or “identif[ies] evidence raising serious concerns that ... the contracting officer unreasonably failed to consider available relevant information or otherwise violated statute or regulation.”).
17 See, e.g., Impresa Construzioni Geom. Domenico Garufi v. United States, 238 F.3d 1324, 1334-35 (2001). Because the record upon which contracting officers made their determinations is not part of the file when contractors are determined to be responsible, courts may permit limited depositions of contracting officers in order “to plac[e] on the record the basis for [their] responsibility determination.” Id. at 1339. There is generally no parallel need to depose contracting officers when they determine a contractor is nonresponsible because their files must contain documents stating the basis for the nonresponsibility determination, among other things. See 48 C.F.R. §9.105-2(a)(1).
19 See 48 C.F.R. §9.406-1 (debarring official); 48 C.F.R. §9.407-1 (suspending official); 48 C.F.R. §9.403 (definitions of debarring official and suspending official). Grounds for debarment include, among other things, convictions or civil (continued...)
are considered for exclusion only when specific conduct occurs, not as a routine matter. Exclusion is government-wide and not contract-specific. Excluded contractors are barred from receiving future government contracts, among other things, for as long as the exclusion lasts. Debarment lasts for a “period commensurate with the seriousness of the cause(s),” generally not exceeding three years, while suspension lasts as long as any agency investigation of the underlying conduct or ensuing legal proceeding.

20 48 C.F.R. §9.405(a) (“[A]gencies shall not solicit offers from, award contracts to, or consent to subcontracts with [debarred or suspended] contractors.”).

21 Id. Debarred contractors are also generally precluded from (1) receiving new work or an option under an existing contract; (2) receiving orders in excess of the guaranteed minimum under an indefinite-delivery/indefinite-quantity contract; (3) serving as a subcontractor on certain contracts with executive branch agencies; or (4) serving as an individual surety. See 48 C.F.R. §9.405(a)-(c); 48 C.F.R. §9.405-1(b)(1); §9.405-2(a)-(b). However, any current contracts or subcontracts of debarred or suspended contractors continue unless the agency head directs otherwise. 48 C.F.R. §9.405-1(a).


24 48 C.F.R. §9.406-3. When debarment is based on a conviction, the hearing that the contractor received prior to the conviction suffices for due process in the debarment proceeding. The due process protections with suspension are not as extensive as those with debarment because suspension is commonly viewed as “less serious” than debarment since it is temporary. 48 C.F.R. §9.407-3(a)-(d).

25 4 C.F.R. §21.5(i).

26 See, e.g., Frequency Elecs., Inc. v. U.S. Dep’t of the Air Force, 1998 U.S. App. LEXIS 14888 (4th Cir. 1998) (“[The court] may disturb the [agency’s exclusion] determination if it is ‘arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law.’”); IMCO, Inc. v. United States, 97 F.3d 1422, 1427 (Fed. Cir. 1996) (suggesting that a proposed debarment that was intended as a punishment could be impermissible).

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**Table 1. Comparison of Nonresponsibility Determinations and Debarment**

<table>
<thead>
<tr>
<th>Decision maker</th>
<th>Contracting officer</th>
<th>Debarring/suspending official (not the contracting officer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criteria</td>
<td>Adequate financial resources</td>
<td>Fraud or criminal offenses in obtaining or performing a public contract or subcontract</td>
</tr>
<tr>
<td></td>
<td>Ability to comply with delivery and performance schedule</td>
<td>Violations of federal or state antitrust laws</td>
</tr>
</tbody>
</table>

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Responsibility Determinations Under the Federal Acquisition Regulation

<table>
<thead>
<tr>
<th>Nonresponsibility</th>
<th>Debarment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory performance record</td>
<td>Embezzlement, theft, forgery, bribery, etc.</td>
</tr>
<tr>
<td>Satisfactory record of integrity and business</td>
<td>Intentionally misusing &quot;Made in America&quot; designation</td>
</tr>
<tr>
<td>ethics</td>
<td></td>
</tr>
<tr>
<td>Necessary organization and experience</td>
<td>Other offenses indicating a lack of business</td>
</tr>
<tr>
<td>Necessary equipment and facilities</td>
<td>integrity or honesty that seriously affect the</td>
</tr>
<tr>
<td>Otherwise qualified and eligible</td>
<td>present responsibility of a contractor</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Duration</th>
<th>Debarment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single contract award</td>
<td>Fixed time proportionate to the offense</td>
</tr>
<tr>
<td></td>
<td>(generally not more than three years)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Application</th>
<th>Debarment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applies to companies that have not previously</td>
<td>Generally applied to current government</td>
</tr>
<tr>
<td>had government contracts, as well as current</td>
<td>contractors, although potentially applicable to</td>
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<tr>
<td>and prior government contractors</td>
<td>prospective or prior contractors</td>
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<thead>
<tr>
<th>Due Process</th>
<th>Debarment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generally not</td>
<td>Yes</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Review of Agency Determinations</th>
<th>Debarment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibility determinations may generally be</td>
<td>Exclusion determinations are generally not</td>
</tr>
<tr>
<td>challenged with GAO only when any special</td>
<td>protestable with GAO</td>
</tr>
<tr>
<td>standards are not met or other &quot;serious</td>
<td></td>
</tr>
<tr>
<td>concerns&quot; are raised</td>
<td></td>
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</table>

Source: Congressional Research Service.

Performance Standards and Collateral Requirements

When determining whether prospective contractors are responsible, agencies consider both general standards that apply to all contracts, regardless of whether they are incorporated into the solicitation, and special standards, also known as “definitive criteria,” that apply only if included in the solicitation. These standards—whether general or special—are largely performance standards. They assess whether prospective contractors can be expected to complete the contract work on time and in a satisfactory manner. One of the general standards introduces so-called “collateral requirements,” however, by specifying that contractors must be “otherwise qualified and eligible” in order to be found responsible. Collateral requirements are other provisions of law disqualifying some prospective contractors or declaring them ineligible for awards. Collateral requirements are not performance standards. Rather, they ensure that the government’s dealings with contractors promote socioeconomic goals such as equal employment opportunity (EEO) or subcontracting with small businesses.

General standards, as well as any special standards, apply to all prospective contractors located in the United States and its outlying areas or elsewhere, unless application of the standards “would be inconsistent with the laws or customs where the contractor is located.” They do not apply to contracts with foreign, state, or local governments; other U.S. government agencies or their...

27 48 C.F.R. §9.104-1(g).
29 48 C.F.R. §9.102(a)(1)-(2).
While responsibility determinations generally focus upon agencies’ prospective prime contractors, contracting officers may inquire into the responsibility of prospective subcontractors in making their determinations. However, contracting officers are not required to independently investigate the responsibility of each proposed subcontractor. Rather, once they determine that a contractor is responsible, they may generally presume that the contractor has ascertained that its subcontractors are responsible.

General Standards

For prospective contractors to be determined responsible, they must satisfy seven criteria, each of which is discussed in more detail below. These criteria require contractors to:

1. **Have adequate financial resources to perform the contract, or the ability to obtain them.** In assessing this criterion, contracting officers consider the factors generally used to assess businesses’ financial health: ratio of assets to liabilities, working capital, cash flow projections, credit ratings, profitability, and liquidity of assets. A contractor’s filing for bankruptcy does not, in itself, mean that the contractor lacks adequate financial resources. Contractors may demonstrate their financial capacity by offering performance bonds.

2. **Be able to comply with the required or proposed delivery or performance schedule.** Any circumstances suggesting that a contractor might not comply with the contract’s schedule for delivery or performance could form the basis for an unfavorable finding on this criterion. Such circumstances may include recent relocation; labor disputes; delivery problems under prior contracts; and inability to demonstrate that suppliers or subcontractors are committed to delivering necessary items or equipment.

3. **Have a satisfactory performance record.** Under the FAR, “a prospective contractor that is or recently has been seriously deficient in contract performance shall be presumed to be nonresponsible, unless the contracting officer determines

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30 48 C.F.R. §9.102(b)(1)-(3). When nonprofit agencies serving the blind or persons with severe disabilities are involved, the focus is on capability, not responsibility. See 48 C.F.R. §9.107.
33 48 C.F.R. §9.104-1(a)-(g).
34 48 C.F.R. §9.104-1(a)-(g).
35 When contractors are required to have certain resources or the ability to obtain them (e.g., adequate financial resources), contractors may demonstrate responsibility by showing a commitment or explicit agreement to rent, purchase, or otherwise acquire the resources. 48 C.F.R. §9.104-3(a).
39 See, e.g., Sys. Dev. Corp., Comp. Gen. B-212624 (December 5, 1983) (inability to demonstrate that suppliers or subcontractors are committed to delivering necessary items or equipment); X-tyal Int’l Corp., Comp. Gen. B-190101 (March 30, 1978) (relocation, labor strike, delivery problems under other government contracts).
that the circumstances were properly beyond the contractor’s control, or that the contractor has taken appropriate corrective action.\footnote{40} Serious deficiencies in performance may include delinquent performance; delivery of nonconforming items; failure to adhere to contract specifications; late deliveries; poor management or technical judgment; failure to correct production problems; failure to perform safely; and inadequate supervision of subcontractors.\footnote{41} Contracting officers must consider the circumstances surrounding any deficient performance when making determinations,\footnote{42} and poor performance or default on one or several prior contracts is not, per se, sufficient ground for disqualification.\footnote{43}

4. \textit{Have a satisfactory record of integrity and business ethics.} In evaluating this criterion, contracting officers may consider convictions or indictments of corporate officers; integrity offenses constituting grounds for suspension under the FAR; repeated violations of state law; or pending debarments.\footnote{44} A lack of integrity on the part of entities with which the contractor has close relationships may also be considered.\footnote{45} Due process could potentially be required when nonresponsibility determinations are based on concerns about the contractor’s integrity because contractors have a liberty interest in being able to challenge allegations about their integrity that could deprive them of their livelihood, as discussed below.\footnote{46}

5. \textit{Have the necessary organization, experience, accounting and operational controls, and technical skills, or the ability to obtain them.} Contracting officers considering this criterion focus on prior work experiences, as well as the present organization of corporations.\footnote{47} Inability to implement necessary programs or procedures (e.g., for quality assurance), unsatisfactory experience, or lack of experience may be grounds for nonresponsibility determinations.\footnote{48} Agencies may

\footnote{40} 48 C.F.R. §9.104-3(b).
\footnote{42} See, e.g., Marine Eng’rs Beneficial Ass’n, Comp. Gen. B-181265 (November 27, 1974).
\footnote{43} See, e.g., id.
\footnote{45} See, e.g., Speco Corp., Comp. Gen. B-211353 (April 26, 1983) (upholding a nonresponsibility determination where a contractor repeatedly allowed another business with an unsatisfactory record of integrity and business ethics to do business under its name).
\footnote{46} See Old Dominion Dairy Prods., 631 F.2d at 963.
\footnote{48} See, e.g., Omnce, Inc., Comp. Gen. B-218343 (June 10, 1985) (unable to implement quality assurance program); Columbus Jack Corp., Comp. Gen. B-211829 (September 20, 1983) (unsatisfactory experience); CEA Indus., Inc., (continued...)}
consider the experience of (1) predecessor firms, when the contractor retains key personnel; (2) parent firms, when their resources would be committed to performing the contract; and (3) principal officers or key employees.49

6. **Have the necessary production, construction, and technical equipment and facilities, or the ability to obtain them.** Contractors may be found nonresponsible based on this criterion when they do not presently possess necessary equipment or facilities, or cannot prove ability to access them in the future.50 Contracting officers may also evaluate the safety or capacity of equipment or facilities.51

7. **Be otherwise qualified and eligible to receive an award under applicable laws and regulations.** Contracting officers evaluating this criterion consider whether contractors are disqualified from or ineligible for a proposed award because of collateral requirements, or other provisions of law specifying when contractors are disqualified from or ineligible for awards. **Table 2** lists major collateral requirements presently in effect government-wide.52 Contracting officers may also consider whether contractors have or can acquire any necessary federal licenses or permits.53

(...continued)

Comp. Gen. B-169160 (May 4, 1970) (lack of experience). Lack of experience is treated differently than lack of performance history. Lack of experience can count against prospective contractors when contracting officers consider whether contractors have the necessary organization and experience. Lack of performance history, however, generally cannot count against prospective contractors when contracting officers either (1) consider whether contractors have a satisfactory performance record or (2) evaluate past performance. See 41 U.S.C. §1126; 48 C.F.R. §9.104-1(c); 48 C.F.R. §15.305(a)(2)(iv).


52 There are additional collateral requirements, often targeted or effectively applicable to specific agencies. For example, the Federal Protective Service Guard Contracting Reform Act of 2008 prohibits businesses that are owned, controlled, or operated by individuals convicted of “serious felonies” from participating in the contract security guard program of the Federal Protective Service, a component of the Department of Homeland Security (DHS). See P.L. 110-356, §2, 122 Stat. 3996 (October 8, 2008). In November 2009, DHS promulgated a final rule implementing this act, identifying what constitutes a “serious felony,” among other things. Dep’t of Homeland Security, Prohibition on Federal Protective Service Guard Services Contracts With Business Concerns Owned, Controlled, or Operated by an Individual Convicted of a Felony, 74 Fed. Reg. 58851 (November 16, 2009).

**Table 2. Major Collateral Requirements**

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Application</th>
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| **Equal Employment Opportunity (EEO)**  
(48 C.F.R. §22.802(b); Exec. Order No. 11246, 30 Fed. Reg. 12319 (September 24, 1965)) | • Contractors ineligible if they do not comply with the EEO requirements in Executive Order 11246, which, among other things, obligates contractors to “take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin.”  
• Contractors cannot receive an award whose expected value is $10 million or higher (excluding construction contracts) unless the Office of Federal Contract Compliance Programs at the Department of Labor determines in writing that the contractor is compliant with Executive Order 11246. |
| **Small Business Subcontracting Plans**  
(15 U.S.C. §637(d)(4)(C) (plans in negotiated procurements); 15 U.S.C. §637 (d)(5)(B) (plans in sealed-bid procurements)) | • Contractors ineligible if they fail to agree to an acceptable plan for subcontracting with small businesses under the contract. Section 637(d) of the Small Business Act requires that all contracts whose expected value is over $650,000 ($1.5 million, in the case of construction contracts) include a “subcontracting plan” that provides the “maximum practicable opportunity” for various types of small businesses to participate in performing the contract. Plans must include percentage goals for subcontracting with small businesses; veteran-owned and service-disabled veteran-owned small businesses; HUBZone small businesses; small disadvantaged businesses; and women-owned small businesses. Plans must also describe the steps that contractors will take to ensure that small businesses have an equitable opportunity to compete for subcontracts. |
| **Government Employees**  
(48 C.F.R. §§3.601-602) | • Agencies may not knowingly award contracts to government employees or entities owned, or substantially owned or controlled, by government employees.  
• Contracting with government employees is permitted under certain narrow exceptions, such as when the government's needs cannot otherwise be met.  
• If a contracting officer unknowingly contracts with a government employee, the award generally will not be disturbed unless there appears to have been favoritism or other impropriety. |
| **Quasi-military Armed Forces**  
(5 U.S.C. §3108; 48 C.F.R. §37.109) | • Agencies may not contract with the Pinkerton Detective Agency or “similar organizations.”  
• Prohibition applies “only to contracts with organizations that offer quasi-military armed forces for hire, or with their employees, regardless of the contract’s character.” (48 C.F.R. §37.109) |
| **Organizational Conflicts of Interest (OCIs)**  
(48 C.F.R. §§9.500-9.507) | • Agencies may not award contracts where there are OCIs that cannot be avoided or mitigated. Disqualifying OCIs could arise if a prospective contractor provided systems engineering and technical direction, prepared specifications or work statements, provided evaluation services, or obtained access to other contractors' proprietary information while performing other government contracts.  
• Possibility of an OCI is not, in itself, grounds for disqualification. Rather, when contracting officers identify an OCI, they must notify the contractor and allow the contractor a reasonable opportunity to respond.  
• Contracting officers have substantial discretion in determining whether OCIs exist, and their determinations will generally be reversed, if protested, only when they are clearly unreasonable or directly contrary to statute or regulation. |

*Source: Congressional Research Service.*
Special Standards

In addition to the general standards (including collateral requirements), which typically apply to all contracts, there may be special standards, also known as definitive criteria, that contractors must meet in order to be determined responsible for specific acquisitions. Contracting officers may incorporate such standards into solicitations when unusual expertise, special facilities, or specific experience or equipment are necessary to ensure that the government’s needs are satisfied. Contracting officers may not waive any special standards when making awards. However, they have some discretion in determining whether particular offerors meet the special standards, provided that their determinations are based upon adequate and objective evidence. Contractors may rely upon the experience or facilities of their affiliates or subcontractors, or any fellow venturer in a joint venture. Where experience is involved, they may also rely on employees’ experiences while working for other companies.

Procedures: Making and Protesting Responsibility Determinations

Agency contracting officers must make an affirmative determination that a prospective contractor is responsible prior to awarding the contract. They do so after considering a range of information about the contractor. Specifically, they are required to consider information that is included in the Federal Awardee Performance and Integrity Information System (FAPIIS), “including information that is linked to FAPIIS such as from the Excluded Parties List System (EPLS) and the Past Performance Information Retrieval System (PPIRS),” and other relevant “past performance” information. In addition, they are encouraged to consider:

(1) [r]ecords and experience data, including verifiable knowledge of personnel within the contracting office, audit offices, contract administration offices, and other contracting offices.

54 But see 48 C.F.R. Subpart 1.4 (allowing contracting officers to deviate from the requirements of the FAR in certain circumstances). For more on deviations, see generally CRS Report R42826, The Federal Acquisition Regulation (FAR): Answers to Frequently Asked Questions, by Kate M. Manuel et al.
57 See, e.g., The Mary Kathleen Collins Trust, Comp. Gen. B-261019.2 (September 29, 1995).
60 See, e.g., Tucson Mobilephone, Inc., Comp. Gen. B-258408.3 (June 5, 1995).
61 48 C.F.R. §9.103(b).
Responsibility Determinations Under the Federal Acquisition Regulation

(2) [t]he prospective contractor—including bid or proposal information (including the certification at 52.209-5 or 52.212-3(h)), questionnaire replies, financial data, information on production equipment, and personnel information.

(3) [c]ommercial sources of supplier information of a type offered to buyers in the private sector.

(4) [p]reaward survey reports.  

(5) [o]ther sources such as publications; suppliers, subcontractors, and customers of the prospective contractor; financial institutions; Government agencies; and business and trade associations.

Contracting officers must obtain “information sufficient to be satisfied” that the prospective contractor meets all performance standards and collateral requirements. However, until recently, contracting officers had almost unfettered discretion as to the nature and quantity of information considered. Although they were encouraged to consider other information, they were required to consider only “relevant past performance information.” The Clean Contracting Act of 2008 (P.L. 110-417, §§871-873) effectively changed this by requiring contracting officers to consult the Federal Awardee Performance and Integrity Information System (FAPIIS) database—whose establishment was required under the act—when making responsibility determinations for contracts in excess of the simplified acquisition threshold (generally $150,000). FAPIIS contains brief descriptions of all civil, criminal, and administrative proceedings involving federal contracts that result in a conviction or finding of fault, as well as all terminations for default, administrative agreements, and nonresponsibility determinations relating to federal contracts, within the past five years for all entities holding a federal contract or grant worth $500,000 or more. Contracting officers are, thus, required to review this information when making responsibility determinations. However, what other information, if any, contracting officers

63 A preaward survey is “an evaluation of a prospective contractor’s ability to perform a proposed contract.” 48 C.F.R. §2.101. Its procedures vary depending upon the size and complexity of the procurement, as well as the information presently available to contracting officers. However, it could involve visits by government teams to bidders’ or offerors’ places of business. 48 C.F.R. §9.106-4(d).

64 48 C.F.R. §9.105-1(c)(1)-(5) (internal citations omitted).


66 See, e.g., John C. Grimeberg Co. v. United States, 185 F.3d 1297, 1303 (Fed. Cir. 1999) (“[T]he contracting officer is the arbiter of what, and how much, information he needs.”). An affirmative determination is improper if not based on sufficient information. 48 C.F.R. §9.105-1(a). However, the amount of information needed depends upon the conclusions that can be drawn from it. See, e.g., John F. Small & Co., Inc., Comp. Gen. B-207681.2 (December 6, 1982). Determinations must also be supported by the record and based on the most current information available. See, e.g., 48 C.F.R. §9.105-1(b)(1); Gary Aircraft Corp., Comp. Gen. B-174455 (July 6, 1972).

67 48 C.F.R. §9.105-1(c)(1)-(5) (“In addition, the contracting officer should use the following sources of information ... ”) (emphasis added).


69 P.L. 110-417, §872(b)(1) & (c), 122 Stat. 4356 (October 14, 2008).

70 P.L. 110-417, at §872(b)(1) & (c). Prior to the Clean Contracting Act, determinations that contractors were nonresponsible were recorded only in the contract files, whose contents are not easily accessed by other agencies or the general public. See 48 C.F.R. §9.105-2(a)(1) (2008). However, contracting officers could potentially engage in de facto debarment, discussed below, if they based a nonresponsibility determination for a prospective contractor solely on the fact that a contractor had previously been determined nonresponsible. For more on de facto debarment generally, see CRS Report RL34753, Debarment and Suspension of Government Contractors: An Overview of the Law Including Recently Enacted and Proposed Amendments, by Kate M. Manuel.
Responsibility Determinations Under the Federal Acquisition Regulation

consider remains within their discretion, and they are not bound by any recommendations
contained in the information that they consider.\footnote{See, e.g., Carl Weissman & Sons, Inc., Comp. Gen. B-190304 (February 17, 1978).}

A contractor’s failure to provide necessary information could result in a nonresponsibility
determination because contracting officers must determine that contractors are nonresponsible
when they lack information “clearly indicating that the prospective contractor is responsible.”\footnote{48 C.F.R. §9.103(b); Sec. Assistance Forces & Equip. Int’l, Inc., Comp. Gen. B-194876 (November 19, 1980).}
The only exception to this rule involves small businesses. Prior to determining that a small
business is nonresponsible due to lack of information, or upon any other basis, contracting
officers must consult the Small Business Administration (SBA), which may—but is not required
to—issue a Certificate of Competence declaring the contractor eligible for the award.\footnote{48 C.F.R. §9.103(b); 48 C.F.R. Subpart 19.6.}

When the SBA issues a Certificate of Competence, contracting officers “shall accept [its] decision ... and
award the contract to the concern.”\footnote{48 C.F.R. §9.105-2(a)(2).}

Contractors do not routinely receive notice of nonresponsibility determinations concerning
them,\footnote{Contractors are, however, entitled to written notice of nonresponsibility determinations, as well as the basis for such
determinations, when making bids or offers to the General Service Administration (GSA). See GSA Acquisition Manual
Part 509.105-2(a); 48 C.F.R. §509.105-29(a). Notice is intended to allow prospective contractors to correct problems
for future solicitations. Id.}

and they are generally not entitled to due process when contracting officers make
responsibility determinations. Due process, where it applies, requires that parties get some sort of
notice and opportunity to be heard before the government takes actions involving their life,
liberty, or property.\footnote{See, e.g., Bd. of Regents v. Roth, 408 U.S. 64 (1972) (holding that people must have recourse to procedures for
determining the fairness of how the government has treated them when life, liberty, or property is involved).}

Because contractors do not have property interests in prospective
government contracts, they are generally not entitled to notice or a hearing before contracting
officers determine they are nonresponsible.\footnote{See, e.g., Old Dominion Dairy Prods., 631 F.2d at 961 (contractor cannot claim a property interest in a prospective
contract).}

However, when nonresponsibility determinations are based upon concerns about contractors’ integrity, contractors \emph{are} potentially entitled to due
process because courts recognize contractors’ liberty interest in being able to challenge
allegations about their integrity that could deprive them of their livelihood:

\[
\text{[W\']hen a determination is made that a contractor lacks integrity and the Government has not}
\text{acted to invoke formal suspension and debarment procedures, notice of the charges must be}
\text{given to the contractor as soon as possible so that the contractor may utilize whatever}
\text{opportunities are available to present its side of the story before adverse action is taken.}^{78}\n\]

Contractors could potentially also be entitled to due process if repeated nonresponsibility
determinations were made on the same basis—even when that basis is not integrity-related—if
the determinations constitute \textit{de facto} debarment, as discussed below.\footnote{79 See, e.g., Shermco Indus., Inc. v. Sec’y of the Air Force, 584 F. Supp. 76 (N.D. Tex. 1984) (holding that when
(continued...)}
Contracting officers have substantial discretion in making responsibility determinations, and judicial or other tribunals will generally hear protests regarding responsibility determinations only in limited circumstances. Such tribunals do not routinely review contracting officers’ responsibility determinations because such determinations are “practical, ... not legal determination[s]” and “are not readily susceptible to judicial review.” The GAO, in particular, hears protests regarding responsibility determinations only when the protester alleges that definitive responsibility criteria were not met or “identify[es] evidence raising serious concerns that ... the contracting officer unreasonably failed to consider available relevant information or otherwise violated statute or regulation.” The federal courts similarly consider the merits of protested responsibility determinations only when the protester’s allegations that the agency’s determination was arbitrary and capricious, an abuse of discretion, or otherwise not in accordance with the law can survive a preliminary motion to dismiss. Moreover, judicial and administrative tribunals decline to overturn contracting officers’ responsibility determinations in many of the protests that they do hear. They generally overturn a determination only when the protester can show that the determination was clearly unreasonable given the record before the contracting officer. In addition, the GAO and the courts have held that a contracting officer’s determination is not unreasonable merely because another contracting officer made a different determination after considering the same information.

Recently Enacted and Proposed Amendments

The magnitude of federal spending on contracts, coupled with recent high-profile examples of contractor misconduct, has heightened congressional interest in the legal standards and procedures used in responsibility determinations. As the largest purchaser of goods and services and successive determinations of nonresponsibility are made on the same basis, de facto debarment may have occurred).

83 See, e.g., Bid Protests at GAO, supra note 16, at 39. Prior to 2003, the GAO exercised more limited jurisdiction over protested responsibility determinations, hearing only protests alleging “bad faith” by agency officials or failure to meet definitive criteria. However, the GAO changed its policy in response to the decision by the U.S. Court of Appeals for the Federal Circuit in Impresa Construzioni Geom. Domenico Garufi v. United States, 238 F.3d 1324 (Fed. Cir. 2001).
84 Watts-Healy Tibbitts v. United States, 84 Fed. Cl. 253 (2008). Claims that agency actions are arbitrary and capricious, an abuse of discretion, or otherwise not in accordance with the law derive from the Administrative Procedure Act (APA), which allows persons “suffering legal wrong because of agency action” to seek judicial review of that action. See 5 U.S.C. §702 (right of review); 5 U.S.C. §706 (2)(A) (arbitrary and capricious standard).
85 See, e.g., Impresa Construzioni, 238 F.3d at 1334-35. Because the record upon which contracting officers made their determinations is not part of the file when they find contractors responsible, courts may permit limited depositions of contracting officers in order “to plac[e] on the record the basis for [their] responsibility determination.” Id. at 1339. There is usually no parallel need to depose contracting officers when they determine a contractor is nonresponsible because their files must contain documents stating the basis of the nonresponsibility determination, among other things. See 48 C.F.R. §9.105-2(a)(1).
87 See, e.g., S. 526, 111th Cong., §2 (finding that a foreign contractor’s failure to appear to defend against litigation in U.S. federal court was not the action of a “responsible party”); H.R. 2349, 111th Cong., §2 (same). S. 526 was later (continued...)
in the world, the federal government spent $537.3 billion on government contracts in FY2011 alone. Some of this spending was with contractors who reportedly received contract awards despite having previously engaged in serious misconduct, such as failing to pay taxes, bribing foreign officials, engaging in “substandard” employment practices, and performing contractual work so poorly that fatalities resulted.

The 111th Congress enacted legislation augmenting existing “collateral requirements” by providing that certain entities are ineligible to receive government contracts, as well as increasing the transparency of certain information used by contracting officers in making responsibility determinations. The 112th Congress similarly considered, but did not enact, measures that would have established, as a “policy of the United States Government,” that no government contracts be awarded to persons who violate the Foreign Corrupt Practices Act, or

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See generally CRS Report R40826, The Proposed “Defund ACORN Act,” the Continuing Resolution, and the Consolidated Appropriations Act: Are They Bills of Attainder?, by Kenneth R. Thomas. However, this decision was subsequently reversed on appeal. See ACORN v. United States, 618 F.3d 125 (2d Cir. 2010). Even without the Second Circuit’s decision reversing the district court, however, the non-ACORN collateral requirements described here were unlikely to be found to constitute bills of attainder, in part, because they do not target specific entities in the same way that the ACORN-related legislation does. The Supreme Court has held that legislation meets the criteria of specificity, so as to potentially constitute a bill of attainder, if it either specifically identifies a person, a group of people, or readily ascertainable members of a group, or identifies such a person or group by past conduct. See, e.g., United States v. Lovett, 328 U.S. 303, 315 (1946); Cummings v. Missouri, 71 U.S. (4 Wall.) 277, 323 (1866).

See Supplemental Appropriations Act, 2010, P.L. 111-212, §3010, 124 Stat. 2340 (July 29, 2010) (requiring that all information contained in the FAPIIS database other than contractor performance evaluations be posted on a “publicly available Internet website”). The legislation creating FAPIIS had specified that access to the database was limited to “appropriate acquisition officials of Federal agencies, … such other government officials as the Administrator [of the General Services Administration] determines appropriate, and, upon request, to the Chairman and Ranking Member of the committees of Congress having jurisdiction.” See Duncan Hunter National Defense Authorization Act for FY2009, §872(e)(1), 122 Stat. 4557 (October 14, 2008).

See Overseas Contractor Reform Act, H.R. 3588, §3.
have “seriously delinquent” federal tax debts. The other measures would have expanded the information included in the FAPIIS database and improved linkages between FAPIIS and other databases with information about federal contractors.

Other options that Congress might consider, if concerns about contractors’ responsibility persist, could include (1) barring contractors from being found to have a satisfactory performance record (or record of integrity and business ethics), or from being determined responsible, if they engage in certain conduct; (2) adding further criteria to the responsibility standards; and (3) requiring contracting officers to consider certain information in making responsibility determinations, or to document their rationales for finding contractors who engage in certain conduct responsible.

Such approaches would arguably be equally likely to result in nonresponsibility determinations regardless of whether the proposed legislation bars contractors who engage in certain conduct from being found to have a satisfactory performance record or record of integrity and business ethics; bars contractors who engage in certain conduct from being determined responsible; or adds further criteria to the responsibility standards. However, there may be cases where legislation precluding contractors who engage in certain conduct from being determined responsible could potentially result in an impermissible “de facto debarment.” De facto debarment can occur when contractors are effectively debarred from awards because they are repeatedly found nonresponsible on the same basis. Because due process is required in

93 Contracting and Tax Accountability Act of 2011, H.R. 829, §2. In addition, during House debate on H.R. 2838, the Coast Guard and Maritime Transportation Act of 2011, a motion was made for an amendment prohibiting the award of Coast Guard contracts to those convicted of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a federal contract or subcontract, or embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, violating federal criminal tax laws, or receiving stolen property. See, e.g., Deborah Billings, House OKs Coast Guard Bill After Nixing Contract Ban Based on Criminal Misconduct, 96 Fed. Cont. Rep. 539 (Nov. 22, 2011). Ineligibility would have lasted for ten years after the date of conviction, but waivers to protect national security interests would have been permitted. Id.

94 See, e.g., Transparency in Government Act of 2011, H.R. 2340, §§504-505 (requiring the use of unique, persistent identifiers to identify contractors across the various databases and expanding FAPIIS’ coverage so that it includes information about covered contractors from the past 10 years, instead of the past 5 years).

95 See, e.g., H.R. 3033, §4(a), 110th Cong. (“[A] person shall be presumed nonresponsible with respect to award of a Federal contract or assistance if the person has rendered against the person twice within any 3-year period a judgment or conviction for the same offense, or similar offenses, if each conviction constitutes a cause for debarment under the Government-wide debarment system.”); H.R. 3383, §2(a), 110th Cong. (precluding a contractor from being determined responsible unless it has an ethics compliance program); S. 32, §14(a), 110th Cong. (same); S. 2394, §3, 110th Cong. (precluding a contractor with tax debts from being determined responsible).

96 See, e.g., S. 680, §307, 110th Cong. (authorizing contracting officers to consider whether contractors “pose a serious threat to national security” when making responsibility determinations).

97 See, e.g., H.R. 3033, §3(b), 110th Cong. (requiring contracting officers to document why contractors who have been convicted or subject to civil judgments for certain offenses on multiple occasions within the past three years have been determined responsible); S. 2904, §3(b), 110th Cong. (same); S. 3139, §201(b)(2), 110th Cong. (same); S. 3139, §2305b, 110th Cong. (requiring contracting officers to consider certain information in determining whether contractors have a satisfactory record of integrity and business ethics when making responsibility determinations).

98 This might happen if, for example, contractors were presumed nonresponsible on the basis of multiple occurrences of certain conduct, especially if the conduct did not result in convictions or similar judgments from judicial or administrative tribunals. When contractors are convicted, for example, they receive due process from the courts, and this due process suffices for any subsequent debarment proceeding. The same would not necessarily be true if contractors were presumed nonresponsible because they were the subjects of multiple reports or complaints alleging certain conduct. If there was no due process in the reporting or complaint process, then the agency would arguably need to provide due process when making responsibility determinations in order for the determinations to be constitutional.

99 See, e.g., Shermco Indus., Inc. v. Sec’y of the Air Force, 584 F. Supp. 76, 93-94 (N.D. Tex. 1984) (“[A] procuring agency cannot make successive determinations of nonresponsibility on the same basis; rather it must initiate suspension (continued...)
debarment decisions but not in responsibility determinations, de facto debarment can unconstitutionally deprive contractors of due process by effectively using the responsibility determination process to debar contractors.100

Otherwise, requiring contracting officers to consider specific information in making their determinations, or to document why contractors who have engaged in certain conduct are responsible, could potentially strengthen the responsibility determination process. Currently, contracting officers have wide discretion in determining what information and how much information they consider in making their determinations.101 Moreover, they are presently not required to justify why any contractor is found responsible. Their signatures on a contract indicate that the contractor was found responsible, but no documentation currently indicates why the contractor was found responsible.102

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or debarment procedures at the earliest practicable moment following the first determination of nonresponsibility.”); 43 Comp. Gen. 140 (August 8, 1963) (finding that multiple determinations of nonresponsibility can be tantamount to debarment). However, multiple contemporaneous nonresponsibility determinations made on the same basis do not constitute de facto debarment, especially when the determinations are based on the most current information available. See, e.g., Sermor Inc., Comp. Gen. B-219132.2 (October 23, 1985) (finding five consecutive nonresponsibility determinations did not constitute de facto debarment); Mexican Intermodal Equip., S.A. de C.V., Comp. Gen. B-270144 (January 31, 1996) (two responsibility determinations were not “part of a long-term disqualification,” but were “merely a reflection of the fact that the determinations were based on the same current information.”).

100 See, e.g., Shermco Indus., Inc., 584 F. Supp. at 89 (stating that de facto debarment unconstitutionally deprives contractors of notice and an opportunity to be heard).

101 See supra note 66.