



(current liquid assets divided by current liabilities) to be .2.<sup>1/</sup> An acceptable liquidity ratio is considered to be 1.00. In Mr. Baker's case, according to the contracting officer, if the IRS called the \$22,000 tax bill due in full, Mr. Baker's assets would be depleted when only 20% of it would be paid.

Second, through the discussions with the IRS, the contracting officer learned of discrepancies in the valuation of certain assets reported to both the IRS and to the Postal Service. Mr. Baker's house in Indianapolis, for example, was listed as worth \$32,000 on P.S. Form 5472-A, but listed as worth \$20,000 to the IRS. The contracting officer believes that Mr. Baker has tried to mislead the Postal Service by neglecting to indicate his true tax status and by stating questionable values for his assets. At the very least, these discrepancies substantially undercut Mr. Baker's claims of financial capability.

Third, the contracting officer notes that Mr. Baker's 5472-A shows ownership of a tractor, but not a trailer; use of both tractor and trailer is required for performance of the contract. In view of Mr. Baker's tenuous financial status, the contracting officer believes that Mr. Baker could not secure a loan for the required trailer. Mr. Baker's representations to the contrary, the contracting officer finds that Mr. Baker does not demonstrate that he has access to the required equipment.

The contracting officer concludes that the IRS lien causes Mr. Baker's overall financial situation to be unstable and suspect. Combined with the uncertainty of Mr. Baker's financial representations and the fact that he does not own all of the equipment to operate the route, the IRS lien makes Mr. Baker a nonresponsible bidder.

In his protest, Mr. Baker asserts that he can perform the contract. In the event of an IRS levy, he would pay his day-to-day expenses out of other income sources. He states that he will promptly explain the differences in asset values filed with the Postal Service and the IRS when the contracting officer tells Mr. Baker with whom he spoke at the IRS. That information having been supplied, Mr. Baker contends that the discrepancy resulted from IRS's use of a valuation for certain assets other than market value. Concerning the need for a trailer, Mr. Baker does not address this issue in his protest, but he indicates on P.S. Form 5472-A that he would purchase or lease one.

As we stated in our earlier decision, the standard of review of a determination of nonresponsibility is limited. The contracting officer is allowed considerable discretion in making his determination, which will not be disturbed unless it is arbitrary, capricious, or not reasonably based on substantial evidence. Craft Products Company, P.S. Protest No. 80-41, February 9, 1981; see also Vinyl Technology, Inc., P.S. Protest No. 86-40, June 11, 1986.

The contracting officer has provided a reasoned analysis of Mr. Baker's financial condition which offers substantial evidence that Mr. Baker lacks the financial capability to perform this contract. Since Mr. Baker lacks other assets which would satisfy the IRS levy, there is a substantial likelihood that the IRS would seek to attach payments

<sup>1/</sup> In determining Mr. Baker's liquidity ratio, the contracting officer gave him the benefit of the doubt in several areas.

under any contract awarded to Mr. Baker. The record fails to establish that he has a source of income which would allow him to make fuel purchases and meet other expenses of operating the contract while not being paid.

Where a tax lien exists, it must be considered as a factor in the overall financial situation of the contractor. Gil Trucking, P. S. Protest No. 84-87, February 11, 1985. It is critical for highway contractors to have cash reserves to pay for fuel, maintenance, and insurance before receipt of the first contract payment. Ella Beachy, P.S. Protest No. 87-05, April 17, 1987. Lack of financial resources is itself sufficient to justify a finding of nonresponsibility. PCM 1-903.1(i); Don L. Peterson, P.S. Protest No. 87-03, February 25, 1987; Currency Technology Corporation, P.S. Protest No. 85-22, July 8, 1985.

The contracting officer's decision, supported by the facts in the record, is based upon substantial evidence and is not arbitrary or capricious.

The protest is denied.

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**[Compared to original 3/12/93 WJJ]**