



DECISION

THE COMPTROLLER GENERAL OF THE UNITED STATES WASHINGTON, D. C. 20548

DLB 782

FILE: B-191708

DATE: March 1, 1979

MATTER OF: RAJ Construction, Inc.

[Protest of Grantee's ~~Contract~~ Action in Correcting Extended Bid Price After Bid Opening]

- 1. Where there appears to be no applicable State law involving correction of bid, grantee's actions will be reviewed pursuant to Federal grant requirement and basic principles of competitive bidding.
- 2. Where there is gross disparity between unit bid price and extended price, and circumstances indicate error is in unit price, downward adjustment of extended price to conform to unit price, thereby displacing low bidder, is inconsistent with principles of competitive bidding.

RAJ Construction, Inc., (RAJ) complains of a grantee's action in correcting a competitor's extended bid price after bid opening to conform to a lower unit bid price, thereby displacing RAJ's otherwise low bid. We find the correction should not have been made because it was the unit bid price that was erroneous.

This decision is a sequel to our prior decision rejecting the request by the Department of Housing and Urban Development (HUD) that we decline to review any contract award by a grantee under a Community Development Block Grant. See RAJ Construction, Inc., 57 Comp. Gen. 872 (1978) 78-2 CPD 241.

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FACTS

IDENT

The town of Riverside, Washington, advertised for bids to improve its water system, including in its solicitation a line item for the installation of 16

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fire hydrants. A solicitation amendment added 5 hydrants for a total of 21. Seven bids were submitted and RAJ was the apparent low bidder with a total price of \$412,138. E.J. Schneider (Schneider) was second low bidder at \$433,150. Although both bidders acknowledged receipt of the amendment, neither RAJ nor Schneider adjusted its extended bid price to reflect the increased quantity of fire hydrants. However, Riverside adjusted both bids to reflect the additional 5 hydrants in accordance with the unit bid price. (RAJ's bid was adjusted upward to \$417,488.) No party has objected to the adjustments for the additional hydrants and since we have sustained the complaint on other grounds we need not consider this aspect of the case.

The Schneider bid contained a \$14.00 unit price for each hydrant; however, Schneider's extended bid price was \$22,400 (for 16 hydrants), which would represent a unit price of \$1,400. All of the other bidders submitted unit prices for each hydrant in excess of \$1,000.

Riverside engineers advised Schneider of the apparent error. According to the record, Schneider "replied that they would accept the bid at the reduced [unit] price." (Emphasis supplied.) Relying on a solicitation provision stating that the unit price would prevail in the event of disparity between unit price and extended price, Riverside used Schneider's unit price of \$14.00 and calculated Schneider's bid price for 21 hydrants as \$294 (21 X \$14.00). Consequently, Riverside reduced Schneider's total bid to \$411,044, thereby displacing RAJ as the low bidder.

DISCUSSION

The grant agreement here provides grant assistance "subject to * * * applicable law, regulations and all other requirements of HUD * * *." HUD regulations require grantees of block grants to comply with Office of Management & Budget (OMB) Circular A-102, September 12, 1977 (formerly Federal Management Circular (FMC) 74-7, September 13, 1974). Although the OMB Circular provides that the grantees may use their own procurement regulations which are consistent with State and local law, it also requires that procurements made with Federal grant

funds adhere to the Circular's procurement standards. Those standards require maximum open and free competition and award to the responsible bidder whose bid is responsive to the invitation and is most advantageous to the grantee.

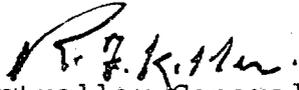
We have discovered neither a Washington statute nor a Washington judicial decision which specifically addresses the issue presented by this complaint or which indicates that the standards in the Circular are inconsistent with Washington law. We will, therefore, rely on basic Federal principles of competitive bidding for the resolution of this case. Griffin Construction Company, 55 Comp. Gen. 1254 (1976), 76-2 CPD 26; Copeland Systems, Inc., 55 Comp. Gen. 390 (1975), 75-2 CPD 237.

Although counsel for Riverside asserts that Schneider has not claimed its unit price of \$14.00 per hydrant was erroneous, the "reduced price" Schneider agreed to accept suggests that the \$14.00 was lower than its originally intended price. In addition, as noted above, all other bidders submitted unit prices in excess of \$1,000. In light of these circumstances and because of the gross disparity between Schneider's unit price of \$14.00 and its extended price of \$22,400, we find it inconceivable that Schneider intended to bid \$14.00 per hydrant. See 39 Comp. Gen. 185, 187 (1959).

We believe that basic principles of competitive bidding require that procurement officials treat all bidders fairly and equally. Thus, we have held that a bidder should not be permitted to decide after bid opening whether its bid is, in fact, the low bid. 39 Comp. Gen. 185 (1959). For example, even though a bidder verifies as correct its obviously erroneous bid price, a procurement official may not accept the bid at that price when to do so would displace another bidder. 51 Comp. Gen. 498 (1972). Here, allowing a bidder to "accept" award at a price based on an obviously erroneous unit price is clearly detrimental to precepts of competitive bidding since it provides the bidder with an opportunity to decide, after bids are opened, whether the erroneous unit price or extended price is most advantageous. 35 Comp. Gen. 33 (1955). Consequently, even though a solicitation provides

that in case of an error in the extension of unit prices the unit price will control, where there appears to be no reasonable doubt that the unit price is in error rather than the extended price, the extended price should prevail. 51 Comp. Gen. 283 (1971); 46 Comp. Gen. 298, 304 (1966); Engle Acoustic & Tile, Inc., B-190467, January 27, 1978, 78-1 CPD 72.

Accordingly, we conclude that the award to Schneider was improper because the extended price could not be changed to conform to the obviously erroneous unit price without prejudice to the competitive bidding system. Because the contract has been completed, we do not recommend any corrective action. We reiterate, however, the recommendation in our previous decision, supra, that complaints against the award of contracts under grants be reviewed at an early stage of the procurement process.


Deputy Comptroller General
of the United States