# DISMISSED IN PART FOR FAILURE TO STATE A CLAIM; DISMISSED IN PART FOR LACK OF JURISDICTION: July 8, 2022

#### **CBCA 7318**

## INTEGHEARTY WHEELCHAIR VAN SERVICES, LLC,

Appellant,

v.

### DEPARTMENT OF VETERANS AFFAIRS,

Respondent.

Timothy J. Turner and Jon Perrone of Whitcomb, Selinsky, P.C., Denver, CO, counsel for Appellant.

Kathleen Ramos, Office of General Counsel, Department of Veterans Affairs, Arlington, TX, counsel for Respondent.

Before Board Judges LESTER, GOODMAN, and O'ROURKE.

#### **LESTER**, Board Judge.

Respondent, the Department of Veterans Affairs (VA), has filed a motion to dismiss the bulk of this appeal for failure to state a claim upon which relief can be granted, arguing that the contract at issue is neither a requirements contract nor enforceable as an indefinite-delivery indefinite-quantity (IDIQ) contract and that, as a result, appellant, Integhearty Wheelchair Van Services, LLC (Integhearty), is only entitled to the payment for services rendered that it has already received. The VA argues that, even though Integhearty alleges that the contracting officer's representative (COR) retaliated against it by refusing to assign Integhearty work after Integhearty fired a friend of the COR's, Integhearty's contract is

enforceable only to the extent performed, precluding any contractual basis for an award of damages for work not assigned. The VA also argues that the Board lacks jurisdiction to entertain Integhearty's request for damages resulting from the VA's alleged de facto debarment of the contractor, which was effected when the VA supposedly precluded Integhearty from obtaining subcontract work during and after a stop work order.

We agree with the VA that, as a matter of law, the contract at issue here is not a requirements contract, and, because it provides no minimum monetary guarantee, it cannot be viewed as a viable IDIQ contract. Accordingly, Integhearty's contract is enforceable only to the extent of the work performed, and we must grant the VA's motion to dismiss Integhearty's request for lost profits for contract work that it was never assigned. Nevertheless, Integhearty alleges bad faith actions by the COR that may have increased the cost of work performed beyond the originally agreed-upon contract price amounts. On a motion to dismiss for failure to state a claim, where we accept as true all factual allegations by the appellant, Integhearty is entitled to proceed and attempt to establish how the COR's alleged actions increased costs for work that it actually performed. For that reason, we grant the VA's motion to dismiss only in part. We also dismiss for lack of jurisdiction Integhearty's allegations of de facto debarment, given that they involve subcontracts that Integhearty was allegedly barred from obtaining from other contractors, rather than costs that Integhearty incurred in performing this contract.

#### **Background**

### The Contract

On December 18, 2018, the VA awarded Integhearty contract no. 36-C-25719-C-0079 (the contract) for special mode services, which included the non-emergent transport of patients with limited mobility (ambulatory or wheelchair bound) between community hospitals and VA facilities and patients' residences, at the North Texas VA Health Care System. Appeal File, Exhibit 1 at VA000001; Exhibit 3 at VA000026, VA000033. The base year of the contract ran from December 18, 2018, through December 17, 2019, with an option for an extension of one year through December 17, 2020. Exhibit 3 at VA000033. The contract contained the standard "Contract Terms and Conditions – Commercial Items (Jan 2017) Alternate I (Jan 2017)" clause from Federal Acquisition Regulation (FAR) 52.212-4 (48 CFR 52.212-4 (2018)). Exhibit 3 at VA000052.

All exhibits referenced in this decision are found in the appeal file, unless otherwise noted.

The contract provided that Integhearty would provide "all" vehicles, supplies, and equipment necessary to perform contract services at any time:

DESCRIPTION OF SERVICE: The Contractor shall provide all vehicles, fuel, personnel, management, transportation, materials, supplies and equipment necessary to perform 24 hours per day, 365 days per year, including all holidays all the required labor, material, supplies, equipment, and supervision of contractor personnel necessary to perform Special Mode (Wheelchair) Services to and from [two specified addresses in Granbury and Denton, Texas, associated with] VA North Texas Health Care System locations and Choice appointment . . . .

Exhibit 3 at VA000033. The contract separately provided that the contractor would have to be available to perform twenty-four hours per day and maintain vehicles to ensure timely service:

#### HOURS OF PERFORMANCE AND RESPONSE TIMES:

- a) Hours of performance: This is a full-service contract, 24 hours per day, 365 days per year. The contractor shall provide all wheel chair services as stated in the performance work statement for veteran beneficiaries, when requested by the VA.
- b) The contractor shall furnish and maintain vehicles so as to ensure timely pick-up and delivery service to all veterans serviced by the VA.

#### Id. at VA000041.

The contract contained a price schedule indicating that Integhearty would be paid a specific amount for each trip, with a maximum not-to-exceed total contract price of \$738,275 for the base year and \$875,355 for the option year. *Id.* at VA000030-33; *see* Exhibit 3 at VA000056 ("It is estimated that the total cost to the Government for the performance of this contract shall not exceed the ceiling price set forth in the Schedule."). "All patient pick-up(s) and drop-off(s) [were to] be authorized via 'calls' which shall only be issued by the designated primary or alternate [COR]," *id.* at VA000040, with scheduled trips to be "requested in advance by a schedule, telephone, encrypted email, or fax . . . before 4:00 p.m. on the prior day." *Id.* at VA000045. Although the contract specified that the contract would not exceed the ceiling price, nowhere in the contract did the parties identify a minimum amount that the appellant was guaranteed to earn under the contract.

The contract also included an inspection clause allowing the VA "to inspect the contractor's equipment and vehicles and/or require documentation of compliance with contract specifications, and State laws, rules, regulations and guidelines governing emergency medical transport vehicles (wheelchair)" at any time during contract performance and "to restrict the contractor's use of equipment and vehicles which are in need of repair, unclean, unsafe, damaged on the interior or exterior body, and are not in compliance with contract specifications." Exhibit 3 at VA000042. It contained the "Stop Work Order" clause from FAR 52.242-15, which allowed the contracting officer, at any time, to require the contractor to stop work for a period of up to ninety days. *Id.* at VA000063.

# Performance and Alleged COR Misconduct

After Integhearty commenced base-year performance, the VA contracting officer exercised the one-year option to extend the contract through December 17, 2020. Integhearty alleges that, in late October 2020, as the contract was winding down, the COR pressured Integhearty to hire the COR's friend while, at the same time and presumably in exchange, offering to expand the dispatch area for Integhearty's contract work and to extend its contract by an additional six months. Complaint ¶¶ 10-11. Integhearty asserts that it reluctantly succumbed to the COR's continued pressure and hired the COR's friend to drive one of its transport vans. Id. ¶ 12. In response, according to Integhearty, the COR then expanded the contractor's dispatch area, and, on December 18, 2020, the VA contracting officer issued a contract modification extending the term of the contract pursuant to FAR 52.217-8 for an additional six months, to and including June 18, 2021. Id. ¶ 13.

Integhearty alleges that it fired the COR's friend because she was incapable of performing her job duties safely. Complaint ¶ 14. According to Integhearty, "[t]he COR was not pleased with this decision and immediately began to levy complaints against Integhearty's performance during the contract extension period," even though Integhearty's performance was "void of any actual performance deficiencies." *Id.* 

On May 7, 2021, an accident occurred in which an Integhearty driver was responsible for a serious injury to a VA patient when a wheelchair lift on an Integhearty transport van suddenly malfunctioned and caused both the driver and the patient to fall. Complaint ¶ 15. Integhearty alleges that it took immediate action to remove that van from service and conducted a number of meetings and training sessions with its drivers to ensure that this type of accident could not happen again. *Id.* ¶¶ 16-17. Nevertheless, the COR, "still harboring animosity toward Integhearty for firing her friend, linked this incident to her management at the VA to an entirely unrelated incident with an entirely different contractor," *id.* ¶ 19, and convinced the VA contracting officer to issue a stop-work order on May 17, 2021, ten days after the accident had occurred. *Id.* ¶ 22. Integhearty alleges that, upon information and belief, the VA issued a bridge contract to another contractor, Priority Care, for the same

services that Integhearty had been providing and, at the same time, directed Priority Care not to subcontract any "runs" to Integhearty. *Id.* ¶¶ 25, 27.

On May 20, 2021, the VA contracting officer issued a termination for cause of Integhearty's contract, stating that Integhearty had "failed to comply with the contract terms and conditions and has put patients and employees at risk," Exhibit 18, but rescinded the termination later that day because the VA had not followed correct FAR procedures and issued a "cure notice." Complaint ¶ 29. Integhearty alleges that, even though it responded to the cure notice promptly, reinspected the wheelchair lifts on all vehicles, and again retrained all staff, the VA improperly delayed reinspecting Integhearty's fleet, did not clear it as safe until June 10, 2021, and did not lift the stop-work order until June 23, 2021. *Id.* ¶¶ 30, 36, 38. Because Integhearty's contract had expired five days earlier, Integhearty never performed another "run" after the stop-work order was issued. *Id.* ¶¶ 37, 39.

Integhearty alleges, upon information and belief, that the VA continued to direct Priority Care not to subcontract with Integhearty, essentially issuing a de facto debarment against the company without due process. Complaint ¶ 40.

# Integhearty's Claim

On or about July 26, 2021, Integhearty submitted a claim to the contracting officer pursuant to the Contract Disputes Act (CDA), 41 U.S.C. §§ 7101–7109 (2018), seeking payment of \$432,776.32 and requesting a final decision. In its claim, Integhearty asserted that the retaliatory actions of the COR caused it to lose anticipated profits of \$112,488; had a lost-profit impact on Integhearty's ability to subcontract with other contractors of \$300,000; increased labor hours spent dealing with VA personnel by \$10,288.32; and required \$10,000 in what Integhearty labeled "professional services costs." The VA contracting officer denied Integhearty's claim by decision dated November 8, 2021.

On February 3, 2022, Integhearty timely filed a notice of appeal with the Board. In lieu of filing an answer to Integhearty's complaint, the VA filed a motion to dismiss this appeal for failure to state a claim.

### Discussion

## Standard of Review

"The [tribunal's] task in considering a motion to dismiss for failure to state a claim is not to determine whether [an appellant] will ultimately prevail, but 'whether the claimant is entitled to offer evidence to support the claims." *J. Cardenas & Sons Farming, Inc. v. United States*, 88 Fed. Cl. 153, 160-61 (2003) (quoting *Chapman Law Firm Co. v. Greenleaf* 

Construction Co., 490 F.3d 934, 938 (Fed. Cir. 2007)). To survive such a motion, appellant's complaint must "contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face." Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (citing Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 570 (2007)). "A claim has facial plausibility when the [appellant] pleads factual content that allows the [tribunal] to draw the reasonable inference that the [respondent] is liable for the misconduct alleged." Id.

We must assume the veracity of well-pleaded factual allegations in analyzing facial plausibility, *Iqbal*, 556 U.S. at 679, but we "must not mistake *legal* conclusions presented in a complaint for *factual* allegations which are entitled to favorable inferences." *Extreme Coatings, Inc. v. United States*, 109 Fed. Cl. 450, 454 (2013) (emphasis added); *see Bell Atlantic*, 550 U.S. at 555 (Tribunals need not "accept as true a legal conclusion couched as a factual allegation."). Although Integhearty alleges that its contract is a requirements contract, "[d]etermination of the type of contract is a matter of law," not a question of fact. *Maintenance Engineers v. United States*, 749 F.2d 724, 726 n.3 (Fed. Cir. 1984); *see Torncello v. United States*, 681 F.2d 756, 772 (Ct. Cl. 1982). Rather than defer to Integhearty's interpretation of its contract, we review and interpret the contract ourselves, a document that, for purposes of considering a motion for failure to state a claim, is an essential document that is implicitly incorporated into the appellant's complaint. *Systems Management & Research Technologies Corp. v. Department of Energy*, CBCA 4068, 15-1 BCA ¶ 35,976, at 175,789.

### Integhearty's Contract Breach Allegations

## A. The Type of Contract at Issue

According to Integhearty, the VA diverted patient transport services work that should have been assigned to Integhearty to another contractor, Priority Care, for the one-month period from May 17 to June 18, 2021. Integhearty alleges that this diversion of work constituted a breach of what it views as a requirements contract.

To determine the extent to which the VA was obligated to order services from Integhearty, we first look to the language of the parties' contract. "[A] requirements contract necessarily obligates the Government to purchase exclusively from a single source" during the life of the contract. *Coyle's Pest Control, Inc. v. Cuomo*, 154 F.3d 1302, 1305 (Fed. Cir. 1998); *see Modern Systems Technology Corp. v. United States*, 979 F.2d 200, 205 (Fed. Cir. 1992) ("[A]n essential element of a requirements contract is the promise by the buyer to purchase the subject matter of the contract exclusively from the seller."); FAR 16.503(a) (discussing requirements contracts). Although Integhearty's contract was awarded as a commercial item acquisition that was set aside for women-owned small businesses, Complaint ¶ 7, and contains the standard "Contract Terms and Conditions – Commercial

Items (Jan 2017) Alternate I (Jan 2017)" clause from FAR 52.212-4, Exhibit 3 at VA000052, FAR 12.207(c)(1) envisions that the commercial item acquisition process can generate a requirements contract. Yet, this particular contract does not contain the standard FAR clause, FAR 52.216-21, that is supposed to be included in requirement contracts or any specially-drafted clauses expressly stating that a requirements contract was intended.

Integhearty argues that, despite the absence of such clauses, the language of its contract indicates exclusivity. We have previously interpreted *Coyle's Pest* to mean that, where "the contract does not contain the FAR Requirements clause, to qualify as a requirements contract it must contain 'words of exclusivity' that not merely suggest, but require that *all* of the work be assigned to the contractor." *Environmental Quality Management, Inc. v. Environmental Protection Agency*, CBCA 3072, 13 BCA ¶ 35,300, at 171,283. Integhearty cites to language in its contract that requires it to "provide *all* vehicles, fuel, personnel, management, transportation, materials, supplies and equipment necessary to perform 24 hours per day, 365 days per year," Exhibit 3 at VA000033 (emphasis added), and "*all* wheel chair services as stated in the performance work statement for veteran beneficiaries, when requested by the VA." *Id.* at VA000041 (emphasis added). Yet, this language speaks to Integhearty's obligations to the VA, not the VA's obligations to Integhearty. It closely resembles language that the Court of Appeals for the Federal Circuit in *Coyle's Pest* found insufficient to create a requirements contract:

The contract does include terms that suggest exclusivity. For instance, the contract obligates Coyle "to furnish *all* labor, service, equipment, transportation, materials and supplies to provide subterranean termite control and related services on assigned properties by [the agency]." (emphasis added). While the contract states that Coyle will provide all labor and services for a given property, the clause does not require [the agency] to assign Coyle *all* properties in the region. Thus, this contract language falls short of the exclusivity language necessary for a requirements contract.

*Coyle's Pest*, 154 F.3d at 1305-06. Accordingly, the language of the contract at issue here did not make Integhearty the exclusive seller of the services covered by the contract or require the VA to order all covered services for any particular service area from Integhearty.

Integhearty also argues that the VA's actions during contract administration indicate that the parties viewed it as a requirements contract, asserting that "for years the VA treated the Contract as if Integhearty would perform exclusively in certain areas of responsibility around Dallas." Appellant's Response Brief at 6. Attached to its response brief is a declaration from Integhearty's director explaining that the VA delineated Integhearty's areas of responsibility in VA-generated maps and sent emails communicating exclusive areas of Integhearty's responsibility. A representative email from the COR stated that "starting 1 Dec

2020 you will be responsible for the following areas (these areas should be within your 6 months extension)." In considering a motion to dismiss for failure to state a claim, we do not consider evidence outside the complaint, Fed. R. Civ. P. 12(b)(6), but, even if Integhearty were to amend its complaint to add the cited evidence and allegations, it would not change the terms of the contract. The cited emails, while assigning Integhearty transport areas in which it would pick up patients, did not indicate that the VA could never modify or rescind those assignments. In any event, like the situation in *Coyle's Pest Control*, the evidence that Integhearty has presented "cannot override or contradict the plain language of the contract, which does not require sufficient exclusivity for a requirements contract." *Coyle's Pest Control*, 154 F.3d at 1306.

Integhearty's contract, as Integhearty acknowledges, is also not a viable indefinite quantity contract because it contains no minimum quantity or dollar guarantee. If a contract contains no minimum guarantee, "the buyer's promise is illusory and the contract unenforceable against the seller." *Mason v. United States*, 615 F.2d 1343, 1346 n.5 (Ct. Cl. 1980); *see Willard, Sutherland & Co. v. United States*, 262 U.S. 489, 493 (1923) ("There is nothing in the writing which required the Government to take . . . any ascertainable quantity. It must be held that, for lack of consideration and mutuality, the contract was not enforceable [as an indefinite quantity contract].").

Because "the contract is not enforceable as either a requirements contract or as an indefinite quantity contract," the contractor "is entitled to payment only for services actually ordered by [the agency] and provided by [the contractor]." *Coyle's Pest Control*, 154 F.3d at 1306; *see Willard*, 262 U.S. at 494 ("By the conduct and performance of the parties, the contract was made definite and binding as to the [quantity] ordered and delivered according to its terms.").

#### B. Integhearty's Ability to Recover Damages for Reprisal

Integhearty argues that its allegations of bad faith by the COR change the dynamic of its contract and provide a basis for it to recover contract damages for the VA's diversion of work.

As an initial matter, we cannot, as the VA invites us to do, weigh the credibility of Integhearty's allegations of reprisal. The VA argues that the allegations are unfounded because Integhearty had caused serious injury to a veteran that required hospitalization, the VA's cure notice and stop work order were a direct and appropriate response to that accident, and the hiring and firing of the COR's friend, which occurred six months before the contracting officer issued the stop work order, were unrelated to that order. Respondent's Motion to Dismiss at 8 & n.5. It also asserts that it "acted in good faith and dealt fairly in this Contract." Respondent's Reply Brief at 3. On a motion to dismiss for failure to state a

claim, we must accept Integhearty's well-pleaded factual allegations as true. *Iqbal*, 556 U.S. at 678. We cannot judge the merits of those allegations here.

The only issue properly before us is whether actions amounting to reprisal by a government employee in administering an illusory and otherwise unenforceable contract create a potential right to contract damages. To the extent that Integhearty is seeking to recover lost profits for work that it was never assigned and never performed, it cannot. We understand that the implied duty of good faith and fair dealing, which attaches to every government contract, "requires a [contracting] party to refrain from interfering with another party's performance or from acting to destroy another party's reasonable expectations regarding the fruits of the contract." Bell/Heery v. United States, 739 F.3d 1324, 1334-35 (Fed. Cir. 2014). Nevertheless, that duty "must attach to a specific substantive obligation mutually assented to by the parties." Henry H. Norman v. General Services Administration, GSBCA 15070, et al., 02-2 BCA ¶ 32,042, at 158,342 (quoting State of Alaska v. United States, 35 Fed. Cl. 685, 704 (1996), aff'd, 119 F.3d 16 (Fed. Cir. 1997) (table)). Where a contract is illusory and unenforceable, there is no substantive contract obligation to which the duty can attach. Because, under such a contract, the agency is only "obligated to compensate [the contractor] for the services that it actually provided based upon the contract terms," the contractor "is not entitled to additional costs or anticipatory profits." MLB Transportation, Inc. v. Department of Veterans Affairs, CBCA 7019, 21-1 BCA ¶ 37,919, at 184,159; see Muse Business Services, LLC v. Department of the Treasury, CBCA 3537, 14-1 BCA ¶ 35,619, at 174,462-63 ("Since the [agreement] is not a binding contract, it cannot give rise to a breach of the implied covenant of good faith and fair dealing."). We cannot use the duty of good faith to expand Integhearty's rights under the contract. Were we to award damages, inclusive of lost profits, to Integhearty for work that the VA might have ordered had the COR not allegedly targeted Integhearty, we would have to do so without regard to a breach of any enforceable contract obligation. In light of the nature of this contract, we cannot find that Integhearty has stated a basis for relief for lost profits.

That being said, Integhearty's contract is enforceable to the extent that the VA assigned work and Integhearty performed it. *MLB Transportation*, 21-1 BCA at 184,159. To the extent that the COR's allegedly retaliatory actions interfered with the service runs that Integhearty was actually assigned and increased Integhearty's costs of those runs, that type of cost increase could be reimbursable under an implied duty breach claim. It appears, although it is not completely clear from the complaint or Integhearty's certified claim, that Integhearty seeks at least some damages relating to such alleged cost increases. Although we grant the VA's motion to dismiss those portions of this appeal that seek lost profits for contract work never assigned to Integhearty, we deny the motion as it applies to any claim for damages for costs actually incurred in performing the service runs assigned that resulted from the COR's alleged reprisals.

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# Integhearty's De Facto Debarment Argument

In its complaint, Integhearty alleges that, during the period of the stop work order, the VA "directed its other contractor performing wheelchair transport services for veterans not to subcontract runs to Integhearty, essentially issuing a de facto debarment against the company." Complaint  $\P$  40. Part of its damages claim is based upon this "de facto debarment." *Id.*  $\P$  49. In its motion to dismiss, the VA argues that the Board lacks jurisdiction over this aspect of Integhearty's claim. We agree.

First, Integhearty's certified claim did not include factual allegations relating to the alleged de facto debarment. Integhearty complains in its claim that the COR essentially forced Integhearty to hire the COR's friend to perform contract work and that, after Integhearty fired the friend, the VA refused to assign Integhearty further work under the contract. Integhearty does not mention in the claim any effort by the COR or the VA to preclude Integhearty from obtaining awards of *other* contracts or subcontracts, which is the essence of its de facto debarment argument. If the operative facts of an issue are not encompassed within the certified CDA claim underlying an appeal, we lack jurisdiction to consider the issue. *Active Construction, Inc. v. Department of Transportation*, CBCA 6597, 21-1 BCA ¶ 37,905, at 184,098.

Second, Integhearty has not explained how its challenge to the VA's actions to preclude Integhearty from obtaining subcontract work with other contractors provides a basis for a monetary claim under the contract at issue in this appeal. "De facto debarment occurs when a contractor has, for all practical purposes, been suspended or blacklisted" from obtaining new contracts "without due process, namely, adequate notice and a meaningful hearing." Phillips v. Mabus, 894 F. Supp. 2d 71,81 (D.D.C. 2012). To establish a de facto debarment, a contract bidder must show a systematic effort by the agency to preclude that bidder from obtaining new contracts. TLT Construction Corp. v. United States, 50 Fed. Cl. 212, 216 (2001). Complaints about de facto debarments are typically raised as part of a bid protest through which the bidder challenges the Government's refusal to allow the bidder to compete for a new award, rather than as part of a claim seeking damages under an existing contract. See, e.g., Colonna's Shipyard, Inc. v. United States, 146 Fed. Cl. 519, 522-23 (2020); AvKARE, Inc. v. United States, 125 Fed. Cl. 11, 29-30 (2016), aff'd, 673 F. App'x 1011 (Fed. Cir. 2017); TLT Construction, 50 Fed. Cl. at 216. Because Integhearty's de facto debarment argument focuses on subcontract work that the VA allegedly did not allow Integhearty to obtain *outside* of its existing contract, rather than changes to work under the contract at issue, it is an extra-contractual claim that we lack CDA jurisdiction to consider. See Lou's Industrial Supplies, PSBCA 1355, 86-2 BCA ¶ 18,829, at 94,871 (dismissing de facto debarment claim for lack of CDA jurisdiction).

### Decision

For the foregoing reasons, we agree with the VA that the contract at issue in this appeal is not a requirements contract or an enforceable IDIQ contract, meaning that Integhearty's contract is enforceable only to the extent of work actually performed. Accordingly, we **DISMISS IN PART FOR FAILURE TO STATE A CLAIM** Integhearty's contract breach claim insofar as appellant seeks lost profits on work not assigned to it. Nevertheless, because Integhearty may be entitled to some recovery if it proves that reprisals or retaliation by the COR increased costs that it actually incurred in performing this contract, we deny the remainder of the VA's motion to dismiss for failure to state a claim.

The portions of Integhearty's complaint seeking damages for a de facto debarment are **DISMISSED FOR LACK OF JURISDICTION**.

<u>Harold D. Lester, Jr.</u>
HAROLD D. LESTER, JR.
Board Judge

We concur:

Allan H. Goodman
ALLAN H. GOODMAN
Board Judge

<u>Kathleen J. O'Rourke</u> KATHLEEN J. O'ROURKE Board Judge