ARMED SERVICES BOARD OF CONTRACT APPEALS

Appeal of)
Enrique (Hank) Hernandez)) ASBCA No. 53011)
Under Contract No. 000000-00-0-0000)
APPEARANCE FOR THE APPELLANT:	Mr. Enrique (Hank) Hernandez
APPEARANCE FOR THE GOVERNMENT:	Elliot J. Clark, Jr., Esq. Assistant General Counsel Defense Commissary Agency Fort Lee, VA
ODINION DV ADMINISTRATIVE HIDCE TODD	

OPINION BY ADMINISTRATIVE JUDGE TODD ON MOTIONS TO DISMISS FOR LACK OF JURISDICTION PURSUANT TO RULE 12.3

The Government has filed a motion and supplemental motion to dismiss this appeal requesting damages for breach of a commissary agreement for grocery bagging services. The Government maintains that the agreement was not a contract subject to the Contract Disputes Act (CDA), 41 U.S.C. §§ 601-613, as amended, that there was no Government representative that had authority to enter into the agreement, and that appellant cannot rely on an implied contract. Appellant opposes dismissal. Appellant has elected the Board's Rule 12.3 procedure for an accelerated appeal. We deny the Government's motions.

STATEMENT OF FACTS

The Defense Commissary Agency (DeCA) is an agency of the Department of Defense. According to Department of Defense Directive 5105.55, DeCA's mission is to:

Provide an efficient and effective worldwide system of commissaries for the resale of groceries and household supplies at the lowest practical price (consistent with quality) to members of the Military Services, their families, and other authorized patrons, while maintaining high standards for quality, facilities, products and service.

(DoDD 5105.55, 9 November 1990, ¶ 3.1.1) The facilities are to be operated under standards consistent with those used for commercial food stores (*id.*, ¶ 5.1.3). DeCA operates almost 300 commissaries throughout the United States and overseas. DeCA has four regions which, in turn, are divided into zones. The commissary at Goodfellow Air

Force Base (AFB), Texas is located in the Midwest region. During 1998, the zone manager for the commissary was Ms. Susan Kelly. (R4, tab 17; Gov't answer ¶ 33)

In order to carry out its mission of "maintaining high standards for . . . service," DeCA enters into standard agreements with individuals such as appellant, known as baggers, for grocery bagging services. The baggers work for tips. Their duties include "removing patrons' items from the conveyor belt, placing items in bags/sacks, placing bags/sacks onto bagger carts, moving carts to patrons' vehicles, loading bags/sacks/items into patrons' vehicles, returning carryout carts to the store" (R4, tab 3). Initially, the system of bagger arrangements provided a place where military family members could earn some money bagging groceries. The system is beneficial to the commissary in faster processing through the cash registers and thus increasing the number of patrons that can be served in a given period of time. (R4, tab 2; Gov't answer ¶ 36)

To work as a bagger, an individual is required to obtain a license from the installation commander first and then be approved by the Commissary Officer to provide services at a commissary (Gov't answer ¶¶ 39-41).

In March 1993, DeCA headquarters issued guidance for bagging and carryout services to all DeCA region directors that required baggers holding a license from an installation commander to complete a new agreement using an attached form of agreement. Authority to approve the agreement was given to the Commissary Officer or the Deputy Commissary Officer, but could not be further delegated. DeCA guidance provided:

The Agreement appearing in Appendix C may not be changed or modified. That agreement does not constitute an offer of employment, employment, or a contract subject to the Federal Acquisition Regulation.

(R4, tab 2 at 2, emphasis in original.) DeCA considers the Agreement "a standard licensee agreement" that is required to be used because "baggers are not and shall not be treated as employees of the Federal Government," but are to be "treated as licensees" (AR4, tab 21). The DeCA guidance provided that the Commissary Officer has the responsibility to determine the number of baggers "necessary to ensure adequate customer service" (R4, tab 2 at 2). In addition, it stated that the head bagger, the elected representative of all baggers, has the responsibility to administer a Standard Operating Procedure (SOP) agreed upon by a majority of the baggers and approved by the Commissary Officer. The SOP is required to include a system of discipline for misconduct. (*Id.* at 3) There is a current SOP for all commissary baggers in a memorandum issued in 1995 (Bd. corr. file, Gov't letter 16 October 2000).

During the election of the head bagger, the baggers vote on the amount of monetary compensation that they will pay to the head bagger for exercising his head bagger responsibilities. DeCA permits posting signs in commissaries indicating that baggers work

only for tips. (R4, tab 2) These signs are in the Goodfellow AFB commissary (R4, tab 5 at 6).

In 1990 Mr. Hernandez, appellant herein, began as a bagger (AR4, tab 8). The Government states that there is only one written agreement between appellant and an installation commander or commissary (Bd. corr. file, Gov't letter 16 October 2000). On 11 June 1993, appellant signed an "AGREEMENT," as an independent contractor, with the commissary facility at Goodfellow AFB. On 12 June 1993, Mr. John G. Martin, Head Bagger, signed the Agreement to certify that a bagger was required and Mr. Hernandez was acceptable. Ms. Joyce McAllister, Commissary Officer, signed the Agreement as "[a]ccepted" on behalf of DeCA (R4, tab 1 at 3). The Agreement included the following provisions:

THIS AGREEMENT is hereby made by and between Hank Hernandez, an Independent Contractor hereinafter called "Bagger" and Goodfellow AFB, hereinafter called "Commissary."

Whereas, the Bagger has been granted a license by the installation commander to lawfully enter the installation for the purpose of performing bagging and carryout services, it is mutually agreed between the parties as follows:

1. Commissary consents to the Bagger performing bagging and carryout services of the groceries purchased by Commissary patrons who desire Bagger's services.

2. Bagger expressly acknowledges that he/she is not an employee of the Commissary or the Defense Commissary Agency for any purposes and further acknowledges that he/she is not under the supervision, direction, or control of any employee of Commissary. Bagger may not incur any obligations in the Commissary's name for any reason. Bagger has no authority to enter into contracts or agreements on behalf of Commissary. This AGREEMENT does not constitute an offer of employment, employment, a partnership, a contract subject to the Federal Acquisition Regulations [sic], or any other type of joint venture between the parties.

3. Commissary shall not pay, directly or indirectly, Bagger for his/her performance of bagging and carryout services for Commissary patrons. Bagger agrees to perform any and all bagging and carryout services directly for Commissary patrons on a voluntary "as asked" basis in exchange for any monetary tips or contributions which the Commissary patrons may provide to the Bagger. Any payments received by Bagger from Commissary patrons are on a per job basis.

5. Commissary shall not be liable to bagger for any business, travel, or other expense paid or incurred by Bagger in rendering services under this Agreement. . . .

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7. ... Bagger shall not be treated as an employee with respect to the services performed hereunder for federal or state tax purposes....

8. Bagger hereby assumes the entire responsibility and liability for any and all damage or injury of any kind or nature whatever to all persons, whether employees of the Commissary, patrons of the Commissary, or otherwise. Bagger also hereby assumes the entire responsibility and liability for any and all damage to all property growing out of or resulting from the execution of work provided for in this AGREEMENT, including that resulting from the use of government furnished equipment. Bagger agrees to indemnify and hold harmless Commissary, its agents, servants and employees from and against any and all loss, expense, including attorneys' fees, damage or injury growing out of or resulting from or occurring in connection with the execution of the work herein provided for Commissary and Commissary patrons.

10. Bagger understands that the head bagger is another Independent Contractor who is elected by all of the Baggers performing similar bagging and carryout services as those performed by Bagger under this AGREEMENT....

11. Bagger agrees to follow work schedules established by the head bagger. In the event the Bagger cannot work as scheduled, he/she agrees to notify the head bagger of this before hand.

12. Bagger declares that while performing all services to be provided under this AGREEMENT, he/she will conduct

himself/herself in an appropriate fashion with respect to Commissary, Commissary's employees, and the patrons of the Commissary. Bagger will treat patrons with respect at all times . . . while performing services under this AGREEMENT. . . .

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14. Bagger declares that he/she has complied with all federal, state, and local laws, and all installation rules and regulations regarding business permits and licenses that may be required to perform the bagging and carryout services to be performed under this AGREEMENT.

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16. With reasonable cause, either party may terminate the AGREEMENT effective immediately upon the giving of reasonable notice of termination for cause. Reasonable cause shall include, but not be limited to, the following:

a. Material violation of this AGREEMENT.

b. Any willful or negligent act which exposes another person to injury or harm or results in property damage to any person, the Commissary of the installation, or exposes the Commissary to liability.

c. Revocation or expiration of the license granted by the installation commander to enter the installation for the purpose of performing bagging and carryout services.

d. A pattern of customer complaints regarding Bagger, such as deficiencies relating to Bagger's bagging and carryout services, demeanor or behavior, language, etc.

e. Any act which violates a federal, state, local or municipal law, and/or rules and regulation of the Commissary and/or the installation.

17. This AGREEMENT constitutes the entire understanding of the parties. The failure of either party to exercise any of its rights under this AGREEMENT for a breach thereof shall not be deemed to be a waiver of such rights or a waiver of any subsequent breach. If any part of this AGREEMENT shall be held unenforceable, the rest of this AGREEMENT will nevertheless remain in full force and effect. This AGREEMENT may not be assigned.

18. This AGREEMENT shall remain in effect until revoked, terminated for cause, or terminated by mutual consent of the parties.

(R4, tab 1) The Agreement did not include a "Disputes" clause.

On 8 May 1998, Ms. Kelly visited the Goodfellow AFB commissary and learned there of complaints about appellant and two other baggers of discourteous service. She requested support from the installation commander and obtained permission to release the baggers. She was asked to inform appellant of the action, which she did in a meeting that Mr. Martin also attended. She told appellant an investigation would be conducted. (R4, tabs 5, 6)

On 25 June 1998, Lieutenant Colonel Michael J. Huhn, USAF, notified appellant:

As you know the 17th Training Wing Vice Commander and I investigated complaints of discourteous service at the Goodfellow Commissary. After careful consideration of the statements from numerous people pertaining to these incidents, we have decided not to reinstate you to your bagger position.

(R4, tab 4)

On 8 July 1998, appellant wrote Mr. Robert Hayden, Deputy Region Director for the Midwest Region, requesting his assistance. Appellant referred to Ms. Kelly's action as a suspension and her "intent to fire me as a bagger" (R4, tab 6 at 1). Appellant also stated that he had been "fired" from his bagger position, effective 25 June 1998 (*id.* at 2). Appellant took the position that the action against him was procedurally defective and a breach of his Agreement with the commissary. He said that he wanted to continue his job as a bagger. The letter did not identify any monetary damages. It concluded by stating that appellant would like to "attempt to discuss a variety of issues regarding this incident to avoid litigation" (*id.* at 3). Neither Mr. Hayden or any other commissary representative replied to appellant's letter (Bd. corr. file, Gov't letter 16 October 2000).

On 17 September 1998, appellant filed a notice of appeal with the Board (R4, tab 8). The Board concluded that it lacked jurisdiction because of appellant's failure to submit a claim to the contracting officer as required by the CDA and dismissed the appeal without prejudice. *Enrique (Hank) Hernandez*, ASBCA No. 51763, 00-1 BCA ¶ 30,731.

By letter dated 11 February 1999, Colonel Eugene H. Quintanilla, Commander, 17th Support Group at Goodfellow AFB, denied appellant's request to speak to customers and

confirmed that "[t]he decision to remove you from your current position is final" (AR4, tab 8). This letter stated:

We appreciate your eight years of service to our Commissary as a bagger.

(*Id*.)

On 30 May 2000, appellant sent a letter to the Director of DeCA requesting information about how to file a proper claim with a DeCA contracting officer as required by the CDA (AR4, tab 12). On 6 June 2000, Mr. Jay P. Manning, Deputy General Counsel, DeCA, responded that it would be improper for any Government employee to assist anyone in the preparation of a claim against the United States. Mr. Manning referred appellant to the Disputes clause contained in the FAR, published in Title 48 of the Code of Federal Regulations which he said should be available in Mr. Hernandez's local library. (AR4, tab 14)

On 24 July 2000, appellant filed a claim in the amount of \$90,000 with DeCA headquarters addressed, "Dear Contracting Officer," for breach and termination of the Agreement. Appellant stated that Ms. Kelly's action was a suspension that was a breach of the Agreement because it exceeded 30 days and that the Government failed to give him notice of termination for cause as required by the Agreement. Appellant claimed out-of-pocket expenses and lost income associated with the adverse action. (Complaint, encl. 1)

By letter dated 7 August 2000, Mr. Manning responded that appellant's claim would not be considered because appellant did not have a contract with DeCA (AR4, tab 15).

On 14 August 2000, appellant filed a notice of appeal pursuant to the CDA for failure of the agency's contracting officer(s) to issue a decision. The Board adopted appellant's notice of appeal as his complaint.

On 2 October 2000, the Government filed its answer, including a motion to dismiss for lack of jurisdiction. Appellant filed his response, and the Government filed a supplemental motion to dismiss, to which appellant has also responded.

CONTENTIONS OF THE PARTIES

The Government moves to dismiss the appeal alleging that the Board does not have subject matter jurisdiction. The Government's first argument is that the Agreement is not subject to the CDA because there was no offer, acceptance or consideration, which are required to create a contract, and the Agreement by its terms did not procure any services from appellant for the DeCA. The Government points to the fact that the Agreement provides that it is not a contract subject to the Federal Acquisition Regulation (FAR), that the bagger is not paid by the commissary, and that the bagger agrees to perform services directly for commissary patrons on a voluntary, as asked, basis in exchange for tips. The Government argues that the Agreement is only a set of standards that the appellant must comply with in order to carry on a private business of bagging services for commissary patrons.

Second, the Government argues that there was no Government representative in the form of a warranted contracting officer with the requisite authority to obligate or bind the United States Government who entered into the Agreement. Appellant submitted his claim addressed to a contracting officer, but no contracting officer at DeCA issued a final decision with respect to appellant's claim.

Third, the Government contends that it did not intend to enter into a contract with appellant. The Government submits that there was no meeting of the minds to create a contract for the procurement of services from appellant.

Fourth, the Government argues that appellant is not a proper party since appellant is not a contractor and has not incurred any obligation to the Government.

Lastly, the Government submits in its supplemental motion to dismiss that appellant made a judicial admission in his first response that the Agreement was not a contract.¹ The Government argues that appellant's position is that the Agreement changed to "an oral implied quasi contract" after it was signed and appellant is thus relying on a contract implied in law (app. resp. at 1). Under the CDA the Board's jurisdiction does not reach claims relating to contracts implied in law.

Appellant's position is that the Board has jurisdiction of the written claim he submitted to the contracting officer for decision, and the failure of the contracting officer to render a decision within the time allowed is sufficient for jurisdiction. Appellant submits that award of a formal contract is not required for Board jurisdiction noting that the Board has jurisdiction over express or implied-in-fact contracts arising from oral representations. We understand appellant's position is that there was an implied-in-fact contract during the years 1990 to 1993 before the parties entered into the Agreement, dated 12 June 1993, which changed the prior oral understandings.

DECISION

This appeal involves a dispute whether appellant, an individual permitted to provide grocery bagging services at the Goodfellow AFB commissary to receive tips from patrons of the commissary, was properly terminated from his position in accordance with the parties' Agreement. Before we can address the merits of the parties' dispute, we are required to address the Government's motions to dismiss and determine whether we have jurisdiction under the CDA.

Under the CDA the Board has jurisdiction to decide any appeal from a decision of a contracting officer or a failure of the contracting officer to issue a decision within the period required relative to a contract made by the Department of Defense (DOD). 41 U.S.C.A. § 607(d). Section 602(a) of the CDA provides in pertinent part:

§ 602. Applicability of law

(a) Executive agency contracts

Unless otherwise specifically provided herein, this chapter applies to any express or implied contract (including those of the nonappropriated fund activities described in sections 1346 and 1491 of Title 28) entered into by an executive agency for—

• • • •

(2) the procurement of services;

41 U.S.C.A. § 602(a). According to the CDA, a "contractor" means a party to a Government contract other than the Government. 41 U.S.C.A. § 601(4).

The Government first argues that DeCA is not procuring goods or services from appellant, but appellant is providing a service to commissary patrons.² DeCA, an executive agency of the DOD, entered into an express contract with appellant. The Agreement by its terms states that it is made by and between appellant and the commissary and that appellant is an independent contractor. It is signed by both parties. It refers explicitly to the possibility of a breach of contract and provides that if any part of the agreement is held to be unenforceable, the rest of it will nevertheless remain in full force and effect.

The issue of whether the requirements for a binding contract are met by a written agreement of the parties to a dispute is decided from an objective standpoint based on the totality of the factual circumstances. *CTA Inc.*, ASBCA No. 47062, 00-2 BCA ¶ 30,947. There must be an offer, acceptance, consideration, and a meeting of the minds that shows the parties' understanding and agreement. *Kaiser Marquardt*, ASBCA Nos. 49800, 50177, 99-1 BCA ¶ 30,216 at 149,492. Appellant offered to be a bagger at the commissary, and the services of appellant were accepted by the Government in signing the Agreement. The mutuality of consideration was the Government's obligation in consenting to appellant's performance of bagging services to furnish space for appellant's operations and encourage patrons to tip or, at a minimum, notify patrons that baggers work only for tips. Appellant was obligated to perform the bagging services according to the terms of the Agreement and received the benefit of tips. The Government received the benefit of customer service. The parties' mutual intent that appellant provide bagging services as an independent contractor

and not an employee of the Government is evident in the terms of the Agreement. The parties' Agreement meets all of the requisites for the formation of a contract.³

We also consider the parties' Agreement a contract for the procurement of services. By its terms appellant agrees with DeCA to perform bagging services in accordance with work schedules established by the head bagger. It refers explicitly to appellant's "rendering services under this AGREEMENT," "services performed hereunder," "the execution of work provided for in this AGREEMENT," "the execution of the work herein provided for Commissary and Commissary patrons," "bagging and carryout services . . . performed by Bagger under this AGREEMENT," "services to be provided under this AGREEMENT," "performing services under this AGREEMENT," and "services to be performed under this AGREEMENT" (¶¶ 5, 7, 8, 10, 12, 14).

We understand "procurement," within the terms of Section 602(a) of the CDA, to mean "to get possession of, obtain [or] acquire." WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 1809 (1986); Coffey v. United States on Behalf of Commodity Credit Corp., 626 F. Supp. 1246, 1249 (D. Kan. 1986) Cf., 41 U.S.C. § 403(2) (defining "procurement" as all stages of the process of acquiring property or services). In considering the question of the scope of the CDA, we consider the purpose or purposes for entering into the contract and the results obtained in its performance. The acquisition of services for the "direct benefit or use" of the federal Government characterizes a federal procurement. New Era Const. v. United States, 890 F.2d 1152, 1157 (Fed. Cir. 1989). It is insufficient to argue that the Agreement is not a procurement contract that directly benefits the Government because it is also for the benefit of commissary patrons who receive the bagging services and provide the cash payments. See Total Medical Management, Inc. v. United States, 104 F.3d 1314, 1320 (Fed. Cir. 1997), cert. denied, 522 U.S. 857 (1997). DeCA enters into agreements such as appellant's in order to carry out its mission of maintaining a high standard of service at its commissaries. DeCA has chosen to provide bagging services through contractors. The primary function of the DeCA agreements was to obtain services from baggers for all of DeCA's customers, which was a direct benefit to the Government.

It is insignificant that there is no obligation on the part of the Government to expend funds. The CDA is not limited to contracts that involve the expenditure of funds. In concessionaire contracts the contractor receives a right to operate a business on Government premises for which the contractor pays a fee based on a percentage of gross sales and receives no Government funds. *Home Entertainment, Inc.*, ASBCA No. 50791, 99-2 BCA ¶ 30,550 (video rental concession); *Outlaw Group, Inc.*, ASBCA No. 46132, 96-1 BCA ¶ 27,949 (taxi service); *Todd-Grace, Inc.*, ASBCA Nos. 34469, 35311, 92-1 BCA ¶ 24,742 (coin-activated launderette). Thus a payment is not the applicable test of whether a contract comes within the CDA. *See Pasteur v. United States*, 814 F.2d 624, 628 (Fed. Cir. 1987); *Coffey v. United States on Behalf of the Commodity Credit Corp., supra* at 1250 ("[t]he government's manner of payment . . . does not change the primary purpose of the contract"). The fact that the Agreement is not subject to the FAR does not prevent application of the CDA. The FAR applies to acquisitions as defined in the FAR, except where expressly excluded. FAR 1.103. Since the Agreement does not involve an acquisition with appropriated funds, the FAR does not apply. FAR 2.101. The CDA applies to all contracts listed in Section 602(a) and is not identical to FAR coverage of an acquisition. *Lumanlan Portrait & Painting Service*, ASBCA No. 35709, 91-2 BCA, ¶ 23,988 at 120,058, *reconsid. denied*, 91-3 BCA ¶ 24,299; *Port Arthur Towing Company, Inc.*, ASBCA No. 37516, 89-3 BCA ¶ 22,004 at 110,628.

The Agreement and the agency's failure to act with respect to appellant's claim apparently did not involve a warranted contracting officer, but those facts do not prevent application of the CDA. There is no requirement that non-FAR contracts be entered into by an employee with the title of contracting officer. *Port Arthur Towing Company, supra,* 89-3 BCA at 110,630. The Government has not denied the authority of the Commissary Officer to execute the Agreement with appellant. The DOD Directive and DeCA policies and procedures provide authority and assign responsibility for the execution of agreements with baggers. There is no allegation of unauthorized action in permitting appellant to provide bagging services at the Goodfellow AFB commissary. Appellant asked how to file a proper claim with a DeCA contracting officer and submitted his claim addressed to a DeCA contracting officer. We have held that such a submission meets the jurisdictional requirement that a contractor's claim be submitted to a contracting officer for decision. *See United States Logistics and Supply, Inc.,* ASBCA No. 51790, 99-2 BCA ¶ 30,465 at 150,510.

The Government's contention that it did not intend to enter into a contract for the procurement of services from appellant, and therefore, there was no required meeting of the minds has been discussed above and found without merit. We also find no merit in the Government's assertion that we have no jurisdiction because appellant is not a proper party to the appeal. The CDA refers to claims by or against contractors, and it defines a "contractor" as "a party to a Government contract other than the Government." 41 U.S.C.A. § 601(4). There is no proscription against the Government entering into a contract with an individual in the capacity of individual. As discussed above, appellant incurred the obligation of performing services in accordance with the agreement and notifying the head bagger before hand when he was unable to do so. We conclude that the Board has jurisdiction of the appeal under the CDA and appellant has standing to prosecute the appeal of the deemed denial of his claim under the contract.

Having so concluded, we need not address the question of jurisdiction of implied in law contracts raised by the Government's misplaced assertion that appellant made a judicial admission concerning a legal conclusion that would be binding on the Board. The Government's attempt to find support for dismissal in appellant's somewhat confusing descriptions of what the parties' arrangements were at any particular time is not persuasive. The motions are denied.

Dated: 12 December 2000

LISA ANDERSON TODD Administrative Judge Armed Services Board of Contract Appeals

I concur

EUNICE W. THOMAS Administrative Judge Vice Chairman Armed Services Board of Contract Appeals

NOTES

In his response to the Government's motion, appellant stated:

I do agree that our AGREEMENT was not a contract when the Government and I first signed it.

During the course of our working relationship over the years, the AGREEMENT changed. The AGREEMENT changed to an oral implied quasi contract between the Government and me. That is why I request the motion to dismiss by [sic] denied.

(App. resp. at 2) In its later response to the supplemental motion to dismiss, appellant changed these statements. Appellant stated that an agreement was signed in 1990, but neither appellant nor the Government has produced a copy. Appellant further stated that the new AGREEMENT, dated 12 June 1993, superseded the parties' prior understandings.

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Baggers are not commissary employees. *See Havekost v. United States*, 925 F.2d 316, 317 (9th Cir. 1991) ("license to work as a grocery bagger was not an

employment contract, but rather a revocable grant of permission to work for customer tips"); *Mares v. Marsh*, 777 F.2d 1066 (5th Cir. 1985).

³ The Government cannot argue that appellant's Agreement was with the commissary patrons. The baggers provide services in exchange for tips that customers may provide. The customers do not undertake any obligation to the baggers when they request bagging services, and no contractual relationship arises between them.

I certify that the foregoing is a true copy of the Opinion and Decision of the Armed Services Board of Contract Appeals in ASBCA No. 53011, Appeal of Enrique (Hank) Hernandez, rendered in conformance with the Board's Charter.

Dated:

EDWARD S. ADAMKEWICZ Recorder, Armed Services Board of Contract Appeals