



**Comptroller General
of the United States**

Washington, D.C. 20548

Decision

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Matter of: Tecom, Inc.

File: B-275518.2

Date: May 21, 1997

Theodore M. Bailey, Esq., for the protester.

William F. Savarino, Esq., Cohen & White, for Baker-Serco Joint Venture, an intervenor.

John E. Lariccia, Esq., Deborah Muldoon, Esq., and Nike Nihiser, Esq., Department of the Air Force, for the agency.

Linda C. Glass, Esq., and Paul I. Lieberman, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Agency's price realism evaluation for award of a firm, fixed-price contract is unobjectionable where it is based on cost and price information submitted by the offerors which reasonably supports the conclusion that proposed prices were reasonable.

2. Protest challenging the evaluation of technical proposals is denied where evaluation record shows that evaluation was reasonable and consistent with the solicitation's evaluation criteria.

DECISION

Tecom, Inc. protests the award of a contract to Baker-Serco Joint Venture under request for proposals (RFP) No. F33601-96-R-9009, issued by the Department of the Air Force for vehicle operations and maintenance services at Wright-Patterson Air Force Base. Tecom asserts that the Air Force did not perform a sufficient price realism analysis as required by the RFP, miscalculated the technical proposals, and improperly awarded the contract to Baker-Serco on the basis of its lower price when the solicitation emphasized that technical factors were more important than price.

We deny the protest.

The RFP, issued on July 10, 1996, contemplated the award of a firm, fixed-price service contract with award fee for the operation and maintenance functions of the vehicle fleet for a base contract period with four 1-year options. The services

include all personnel, equipment, tools materials, supervision and other items, and services necessary to manage and perform vehicle maintenance, vehicle operations and analysis at Wright-Patterson.

The RFP stated that award would be made to the responsible offeror who demonstrates that the offeror possesses the management, financial, and technical capabilities necessary to fill the requirements of the contract and whose proposal is determined to be the most advantageous to the government. The RFP also stated that the offeror whose proposal had the highest degree of credibility and whose performance could best meet the government's requirements at an affordable cost would be selected for award. The RFP cautioned offerors that acquisition cost would be a substantial factor in the source selection decision.

The solicitation listed the following four criteria, each of which was of equal importance:

- (1) Management
 - Factor 1.1 - Management On Site
 - Factor 1.2 - Corporate Level Support
 - Factor 1.3 - Administrative Support
- (2) Production
 - Factor 2.1 - Operations Plan
 - Factor 2.2 - Maintenance Plan
 - Factor 2.3 - Supply Management
- (3) Quality
 - Factor 3.1 - Personnel
 - Factor 3.2 - Quality Procedures
- (4) Cost/Price

The factors within each area were also equal in importance. The RFP also provided that proposals would be evaluated for proposal risk, which would involve an assessment of the risks associated with the offeror's proposed approach to accomplish the requirements. Similarly, proposals were to be evaluated for performance risk, which would involve the assessment of the probability of the offeror successfully accomplishing the proposed effort based on the offeror's demonstrated relevant present and past performance. Prices were to be evaluated for reasonableness, completeness, and realism. The solicitation stated that proposals would be evaluated on the basis of a "comparison with information such as DCAA [Defense Contract Audit Agency], historical, wage determination, current commercial/market, and/or GSA prices."

The agency received 10 proposals, including Tecom's (the incumbent contractor) and Baker-Serco's, by the August 21, 1996, closing date. The technical proposals were evaluated for performance and proposal risk¹, as well as under a color/adjectival rating scheme², for each of the evaluation factors. Five proposals, including Tecom's and Baker-Serco's were included in the competitive range. One proposal was subsequently withdrawn. Written discussions were conducted after which best and final offers (BAFO) were requested, received, and evaluated. The BAFOs of Baker-Serco and Tecom were rated as follows:

	Baker-Serco			Tecom		
	Color*	Proposal Risk*	Perform Risk**	Color*	Proposal Risk*	Perform Risk**
Management Area			Low			Low
1.1 Management On Site	Blue	Low		Blue	Low	
1.2 Corporate Level Support	Green	Low		Green	Low	
1.2 Administrative Support	Green	Low		Green	Low	
Production Area			Low			Low
2.1 Operations Plan	Green	Low		Blue	Low	
2.2 Supply Management	Green	Moderate		Green	Low	
2.3 Supply Management	Green	Low		Green	Low	
Quality Area			Low			Low
3.1 Personnel	Green	Low		Green	Low	
3.2 Quality Procedures	Green	Low		Green	Low	
Cost	\$26,306,233			\$31,015,061		

*Color Rating and Proposal Risk were assessed at the factor level.

**Performance Risk was assessed at the area level.

The agency determined that both offerors' prices were realistic, reasonable, and complete. This determination was based on an evaluation of whether proposed prices were compatible with the scope and effort of the RFP, an examination of the

¹The possible evaluation ratings for proposal risk and performance risk were high, moderate, and low.

²The color/adjectival ratings were blue/exceptional, green/acceptable, yellow/marginal, and red/unacceptable.

acceptability of the offeror's methodologies used in developing the proposed costs, and the offeror's responsiveness in providing cost/price data for all RFP requirements and assessing the traceability of the proposed costs. As a result of this assessment, the evaluators did note that Baker-Serco's minimum manning, when combined with its proposed [deleted] percent profit, could potentially result in increased labor costs or performance deficiencies.

The source selection official determined that Baker-Serco represented the best overall value to the government under the evaluation criteria and factors set forth in the solicitation, and award was made to Baker-Serco on January 31, 1997. After being informed that Baker-Serco had received the award and being debriefed by the agency, Tecom protested to our Office.

Tecom first argues that the agency failed to follow the stated evaluation criteria by making price more important than the other factors. Tecom points out that the RFP clearly provided that price was to be only one of the four factors that were to have equal weight in the source selection decision and that the RFP further provided that the three factors other than price were collectively more important than price. Tecom maintains that because of budget constraints, the agency deviated from its stated evaluation emphasis of technical over price, and instead focused only on whether Baker-Serco's proposal was acceptable, rather than on whether Tecom's proposal was superior.

Where an evaluation is challenged, we will examine the evaluation to ensure that it was reasonable and consistent with the evaluation criteria and applicable statutes and regulations, since the relative merit of competing proposals is primarily a matter of administrative discretion. Cardinal Scientific Inc., B-270309, 96-1 CPD ¶ 70 at 3. While section M of the RFP provided that the evaluation factors and considerations other than price, when combined are more important than price, it also cautioned offerors that price would be a substantial factor in the source selection decision. Here, the record shows that in selecting Baker-Serco for award, the source selection official recognized Baker-Serco's moderate risk rating which resulted from its minimum manning numbers and, after examining and carefully considering Tecom's superior rating, concluded that based on his experience in the area, knowledge of the requirement and the fact that all areas of evaluation were of equal importance, the additional benefits of Tecom's proposal simply did not justify the higher associated cost. This determination is neither unreasonable nor inconsistent with the stated evaluation criteria.

Tecom next argues that the agency did not perform a proper price realism analysis. Tecom maintains that since the agency did not prepare an estimate and because fleet maintenance on the scale being procured is not a common item on the market or subject to price lists, the only yardsticks by which to determine the reasonableness of the proposed prices are the other offers received, previous prices, or an analysis of the work required. Tecom argues that the agency has not

explained how Baker-Serco can adequately perform the work with [deleted] percent fewer personnel and [deleted] percent less manhours per year than Tecom proposed. Tecom contends that comparing Baker-Serco's proposed price to the rejected offers shows that Baker-Serco's price was not realistic and that Baker-Serco's price was also out of line with the prices submitted by the other BAFO participants. Lastly, Tecom maintains that Baker-Serco's past performance in which insufficient staffing was noted as a problem should have alerted the agency that Baker-Serco's price was unrealistic.

Generally, cost realism (a measurement of the likely cost of performance in a cost reimbursement contract) is not a factor in the evaluation of proposals when a fixed-price contract is to be awarded, since the government's liability is fixed, and the risk of cost escalation is borne by the contractor. PHP Healthcare Corp.; Sisters of Charity of the Incarnate Word, B-251799 *et al.*, May 4, 1993, 93-1 CPD ¶ 366 at 5. However, since the risk of poor performance when a contractor is forced to provide services at little or no profit is a legitimate concern in evaluating proposals, an agency in its discretion may, as it did here, provide for a price realism analysis in the solicitation of fixed-price proposals. *Id.* The depth of an agency's price realism analysis is a matter within the sound exercise of the agency's discretion. *See Family Realty*, B-247772, July 6, 1992, 92-2 CPD ¶ 6 at 4.

Here, the agency evaluated the price proposals for realism by determining whether prices were compatible with the scope and effort outlined under the solicitation. This included an evaluation of the extent to which each offeror's proposed prices indicated a clear understanding of the requirements of the program. Offerors' proposals were examined for reasonableness by determining if adequate price competition existed and by assessing the acceptability of the offeror's methodologies used in developing the proposed costs. This included an evaluation of the extent to which each offeror's proposed prices indicated a clear understanding of and sound approach to satisfying solicitation requirements. Each proposal was further evaluated to determine whether proposed prices were supported by factual and verifiable data and whether estimates were supported by valid and suitable assumptions and estimating techniques. Proposals were examined for completeness by assessing the responsiveness of the offeror in providing cost/price data for all RFP requirements and assessing the traceability of the proposed costs. All offerors' adjustments at BAFO were considered supported and determined reasonable, realistic, and complete. While the technical evaluation team concluded that Baker-Serco could accomplish the maintenance effort with its proposed manning, it recognized that the proposed manning reflected some risk in the cost proposal and could cause some disruption or degradation of performance which resulted in Baker-Serco's receiving a moderate risk rating for performance. Tecom repeatedly argues that Baker-Serco's price was significantly less than the price for the previous contract. The agency points out, however, that the requirements of this solicitation were significantly reduced from the previous

contract that Tecom's proposed price for the current requirement was also substantially lower than Tecom's price for the previous contract.

We see nothing objectionable about the price analysis performed by the agency. Under a fixed-price solicitation, even when the agency provides that it will perform a price realism analysis the depth of a price analysis is a matter within the sound exercise of the agency's discretion. Family Realty, supra. While the protester disagrees with the agency's conclusions, there is nothing in the record to indicate that the price analysis or conclusion about Baker-Serco's ability were erroneous. As noted above, the RFP provided for a price realism analysis and listed several comparisons that could be made in performing that analysis. The record shows that while the agency did not perform the comparisons proposed by Tecom, it did perform a detailed price analysis consistent with the RFP criteria and concluded that Baker-Serco's proposed price demonstrated a clear understanding of and sound approach to satisfying the requirement. Although the protester questions the quality of the price analysis, the protester's allegations establish, at best, the agency's cognizance that [deleted], but that this low price did not reflect a defective technical approach or lack of understanding on Baker-Serco's part.

Tecom also argues that the agency's evaluation of proposals was flawed. Specifically, Tecom maintains that the only blue rating that Baker-Serco's received in the management area was unreasonable since the only identified strength was irrelevant to the stated criteria, and the agency's evaluation ignored a significant weakness which went to the heart of that factor. Tecom further maintains that even though no change had been made to Baker-Serco's initial proposal for staffing, the agency changed Baker-Serco's maintenance and operations color ratings from yellow to green and lowered Baker-Serco's operations plan risk from moderate to low. Tecom also contends that the agency's evaluation of its proposal was unreasonable and maintains that it should have received a blue rating in the supply management factor. All in all, it is Tecom's position that had the agency properly evaluated proposals, the technical difference between the proposals would have been even more significant and thus would have affected the best value determination.

Evaluating the relative merits of competing proposals is a matter within the discretion of the contracting agency since the agency is responsible for defining its needs and the best method of accommodating them, and it must bear the burden resulting from a defective evaluation. Advanced Tech. and Research Corp., B-257451.2, Dec. 9, 1994, 94-2 CPD ¶ 230 at 3; Marine Animal Prods. Int'l, Inc., B-247150.2, July 13, 1992, 92-2 CPD ¶ 16 at 5. Consequently, we will not reevaluate proposals but instead will examine the agency's evaluation to ensure that it was reasonable and consistent with the solicitation's stated evaluation factors. MAR, Inc., B-246889, Apr. 14, 1992, 92-1 CPD ¶ 367 at 4. An offeror's mere disagreement

with the agency does not render the evaluation unreasonable. Medland Controls, Inc., B-255204; B-255204.3, Feb. 17, 1994, 94-1 CPD ¶ 260 at 3. Our review of the record provides no basis for objecting to the agency's evaluation.

The record shows that the agency evaluators considered Baker-Serco's proposal to provide double manning support during the phase-in period to be a strength because it was an indication of Baker-Serco's management authority to commit corporate resources to the program, which was a stated evaluation factor. With respect to Baker-Serco's green rating in the maintenance and operations plan factors, the record shows that Baker-Serco made significant changes to its proposed staffing from its initial proposal to its BAFO which justified its improved rating. With respect to Tecom's allegation that it should have received a blue rating instead of green in the supply management factor, the record shows that the evaluators concluded that Tecom's procedures for handling hazardous materials and waste were a strength but the requirement standards were not exceeded in a way which would provided an increased benefit to the agency. Moreover, as explained above, the SSA recognized Tecom's technical superiority but determined that it was not worth the additional cost. The record establishes that the agency's evaluations are unobjectionable and Tecom's contentions to the contrary merely reflect disagreement with the agency's evaluation which does not render the evaluation unreasonable. Litton Sys., Inc., B-237596.3, Aug. 8, 1990, 90-2 CPD ¶ 115 at 8.³

The protest is denied.

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³Tecom also argued in its initial protest that Baker-Serco's proposal should be rejected because it does not intend to use key management personnel it proposed. The agency in its report addressed in detail this argument. In its comments filed on that report, Tecom did not rebut the agency's position on this matter. Therefore, we view this issue as abandoned. Marquette Elecs., Inc., B-262016.2; B-262016.3, Feb. 15, 1996, 96-1 CPD ¶ 98 at 5.