



**Comptroller General
of the United States**

Washington, D.C. 20548

Decision

DOCUMENT FOR PUBLIC RELEASE

The decision issued on the date below was subject to a GAO Protective Order. This redacted version has been approved for public release.

Matter of: SGT, Inc.

File: B-281773; B-281773.4

Date: April 1, 1999

Arthur I. Leaderman, Esq., Jonathan D. Shaffer, Esq., and Claire E. Kresse, Esq., Smith, Pachter, McWhorter & D'Ambrosio, for the protester.
J. Patrick McMahon, Esq., McMahon, David & Brody, and Myrna E. Friedman, Esq., for QSS, Inc., an intervenor.

Vincent A. Salgado, Esq., and Gregory LaRosa, Esq., National Aeronautics & Space Administration, for the agency.

David A. Ashen, Esq., and John M. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

David A. Ashen, Esq., and John M. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

Protest against agency's evaluation of awardee's response to representative task order (RTO) is denied where agency reasonably concluded that solicitation did not require offerors to propose a technical solution, design a device or select a specific [DELETED] material technology, and that awardee's proposal of a methodology for performing the RTOs therefore was consistent with the solicitation; the agency reasonably accounted for protester's more detailed proposal of a higher cost, more capable [DELETED] material technology by crediting the proposal with significant strengths for its additional detail and demonstration of a thorough understanding of the technology, and by normalizing foundry costs in the probable cost figures presented to the source selection authority.

DECISION

SGT, Inc. protests the National Aeronautics & Space Administration's award of a contract to QSS Group, Inc. under request for proposals (RFP) No. 5-58392/237, issued as a competitive section 8(a) set-aside for multidisciplinary engineering development services (MEDS) for the Goddard Space Flight Center (GSFC) in Greenbelt, Maryland. The protesters challenge the evaluation under the technical, cost and past performance factors.

We deny the protest.

The solicitation, issued on July 17, 1998, provided for award of a 5-year indefinite-quantity, indefinite-delivery cost-plus-incentive-fee contract to

provide engineering services to [Electrical Systems Center], [Information Systems Center], systems engineering, and related organizations, as required, for the study, design, development, fabrication, integration, testing, verification, and operations of space flight and ground system hardware and software, including development and verification of new technologies to enable future science missions.

RFP Attachment A, Statement of Work (SOW), at 2. The SOW specifically provided for issuance of task assignments to perform services with respect to

components, subsystems, systems, science instruments, and spacecraft, including attached shuttle payloads, free-flying spacecraft, aircraft and balloon payloads, and Space Station payloads as well as ground support equipment, simulators, non-flight models, and prototypes; candidate, feasibility, and systems definition studies; project management; systems engineering; analysis; preliminary design; detailed design; fabrication; assembly; integration; test and verification; test instrumentation; data systems management; launch and post-launch operations; research and technology unique to system development; parts and materials; documentation; maintenance; sustaining engineering; configuration management; performance assurance; systems safety; and contamination control.

Id. Award was to be made on a best value basis to the offeror whose proposal was most beneficial to the government under three evaluation factors: (1) mission suitability (1,000 evaluation points available), with subfactors for understanding the requirement (400 points), personnel (150 points), and management plan/corporate resources (450 points); (2) past performance; and (3) cost. RFP § M.5.2, at 115. Cost was significantly less important than both the combined importance of mission suitability and past performance, and mission suitability alone, but was more important than past performance alone. Id. § M.4.3, at 111.

The evaluation under both the mission suitability and cost factors was based to some extent on an evaluation of offerors' responses to representative task orders (RTO) set forth in the solicitation. Specifically, the solicitation listed offerors' responses to the RTOs as one of two elements under the understanding the requirement subfactor of the mission suitability factor. Id. § M.5.1, at 112. In addition, the RFP indicated that the cost evaluation would be based on offerors' responses to the RTOs, as follows:

M.6 Cost/Price Evaluation Factor

The proposed cost/price for the representative task orders will be assessed to determine reasonableness and cost realism. The evaluation will be conducted in accordance with [Federal Acquisition Regulation (FAR)] 15.305(a)(1) and [National Aeronautics & Space Administration FAR Supplement] 1815.305(a)(1)(B) and (C).

Both the proposed cost and the probable cost will be presented to the Source Selection Authority.

RFP § M.6, at 116. The solicitation further provided that "[a]s the representative task orders . . . are for a cost reimbursement type effort, the Mission Suitability score will be adjusted based on the degree of cost realism." RFP § M.5.3, at 115.¹

NASA received five proposals. QSS's and SGT's were evaluated as follows:

| | <u>MISSION SUITABILITY</u> | <u>COST</u> | <u>PAST PERFORMANCE</u> |
|-----|-------------------------------|--|-------------------------|
| | Initial/(Cost) Adjusted Score | Adjusted Proposed ² /Probable | |
| QSS | 885.5/885.5--Very Good | \$(DELETED) | Very Good |
| SGT | 756.8/756.8--Very Good | \$(DELETED) | Very Good |

¹The solicitation stated that in the event the probable cost for a proposal was from plus or minus 6 to 10 percent, that is, that the probable cost was between 6 to 10 percent higher or lower than the proposed cost, the mission suitability score for the proposal would be reduced by 50 points; from 11 to 15 percent, the reduction would be 100 points; from 16 to 20 percent, the reduction would be 150 points; from 21 to 30 percent, the reduction would be 200 points; and if more than 30 percent, the reduction would be 300 points. RFP § M.5.3, at 115-16.

²The adjusted proposed cost number reflects the adjustment of the proposed costs to account for a common start date for the RTOs and the application of the proposed incentive fee to the RTOs.

The source selection authority (SSA) determined that QSS's proposal, which received the highest score under the mission suitability factor, had "significantly higher technical merit." Agency Report, Tab 22, Source Selection Statement, at 9. In addition, the SSA noted that there were no significant past performance discriminators between the proposals. Since QSS's probable cost was significantly lower than that of SGT, the next highest-ranked proposal under the mission suitability factor, the SSA concluded that QSS's proposal offered the best value to the government. *Id.* Upon learning of the resulting award to QSS, and after being debriefed by NASA, SGT filed this protest against the award.³

SGT challenges the evaluation on several grounds. We find that the evaluation was reasonable. We discuss some of the primary issues below.

RTO EVALUATION

SGT generally argues that the evaluation of QSS's response to the RTOs failed to account for QSS's failure to comply with an alleged solicitation requirement to select an appropriate technology to accomplish the RTO SOWs.

The seven RTOs set forth in the solicitation were for various phases in the design, development, production and testing of a spacecraft mission that will accommodate three earth-viewing instruments and place them in a 700-kilometer, near-polar, high noon, sun-synchronous, circular orbit. The focus of SGT's protest in this regard concerns RTOs 3 and 4. RTO 3 provided:

The Contractor shall perform a study of the appropriate types of technology to use for an engineering model, field-programmable gate array/application specific integrated circuit (FPGA/ASIC) device meeting the specification of this Statement of Work (SOW). The study shall include the rationale behind each type of technology, as well as a power versus speed analysis, risk assessment, implementation approach, and design schedule assessment for each type of technology identified. The device design schedule shall be eight (8) months.

The Contractor shall select one FPGA/ASIC approach that best meets the requirements of this SOW and develop a detailed implementation plan.

³Science & Engineering Services, Inc. and Mentor Technologies, Inc also filed protests against the award. We will address those protests in a subsequent decision.

RFP Enclosure A, Representative Task Orders, RTO 3. RTO 4 stated that "[b]ased on the study and implementation plan delivered under Representative Task Order 3, the StudySat program has proceeded with, and completed, the recommended FPGA/ASIC design." RTO 4 provided that "[t]he Contractor shall deliver" 25 FPGA/ASIC engineering model devices. Id. RTO 4.

In its response to RTO 3, QSS selected an integrated circuit technology, [DELETED], explained the rationale for its selection, and proposed an approach and methodology for completing the implementation plan. In contrast, SGT, which [DELETED] proposed [DELETED] device, went further and also specified a material technology to be used in its [DELETED] device. In this regard, the record indicates that there are a number of [DELETED] technologies, including [DELETED], some of which--such as [DELETED]--an agency technical adviser has testified (at a hearing our Office conducted with respect to this protest) would be unable to meet the speed and power requirements of the RTO SOWs. Agency Hearing Comments, Mar. 8, 1999, at 4; Hearing Transcript (Tr.) at 21-22, 60-62, 65, 85-86.⁴ SGT proposed to use a [DELETED] technology in its [DELETED] integrated circuit devices; although the foundry costs of [DELETED]. Tr. at 31-32, 62, 92.

NASA viewed RTO 3 as requiring only development of a trade study to determine whether FPGA or ASIC would best meet the SOW requirements and an implementation plan. The agency did not intend to require offerors to design the device or select a specific material technology; according to the agency, the RTO called only for an approach, not a solution. Agency Hearing Comments, Mar. 8, 1999, at 4. Accordingly, the agency determined that both QSS and SGT had proposed acceptable approaches to RTO 3. QSS's proposal was credited with a strength on account of its detail, approach, identification of risks and mitigation, insight into development, and knowledge of currently available technologies. Agency Report, Tab 16f, SEB [Source Evaluation Board] Initial Report, at 19. SGT's proposal was credited with a significant strength under RTO 3 (as well as under RTO 4) on account of its "thorough understanding of the technology," as well as its excellent, detailed approach. Id. at 53-54. NASA's evaluation of SGT's proposal

⁴NASA and SGT disagree as to whether [DELETED], as well as [DELETED], would meet the performance requirements in the RTO SOWs. NASA maintains that [DELETED] can meet the SOW requirements; the agency believes that [DELETED] can as well, but concedes that [DELETED] more study and analysis would be necessary to determine its suitability. Tr. at 60, 67-68; Agency Comments, Mar. 12, 1999, at 6-7, and Declaration of GSFC Associate Head of Microelectronics and Signal Processing Branch at 1-2. In contrast, SGT claims that, while [DELETED], it would be disqualified by [DELETED], and that while [DELETED], it [DELETED], such that it could not be considered available for current use. SGT Hearing Comments, Mar. 8, 1999, Appendix on Bipolar and SiGe Processes, at 1-3.

under RTO 3 "recognized that their specification of [DELETED] was additional detail and represented . . . a further understanding of the technical solution that we were looking for, the requirements to meet the statement of work; and we basically felt that it was a superior--or was rated higher as a[---]technical proposal." Tr. at 26-27.

SGT argues that QSS's failure to identify a specific technical solution and material technology--e.g., [DELETED]--for RTOs 3 and 4 was contrary to provisions of the RFP. Specifically, SGT notes that RFP section L.19, Cost/Price Proposal Instructions (Competitive), required offerors to "propose all costs and fees" for the RTOs; "prepare a cost estimate by element of cost with corresponding narrative to explain the basis of estimate for each element" of cost; and use the bases of estimate "to give the Government insight into the thought processes and methodologies used by the offeror in estimating the quantities of labor hours, other direct costs, etc. required for successful performance on the representative task orders." RFP § L.19.1.1(a) and .2, at 102. According to the protester, an offeror would not satisfy the requirement for an explanation of its costs, and NASA could not arrive at a probable cost estimate for the RTO efforts, unless the offeror made clear which [DELETED] technology it would use.

The premise of SGT's argument is flawed. The requirements regarding full costing of the RTO efforts must be read in light of the detail required in the RTO responses, not the other way around. That said, we find that the solicitation instructions and evaluation criteria with respect to the technical response to the RTOs clearly support the agency's interpretation that only an approach to performing the RTOs, and not a technical solution, was required. Specifically, RFP section L, Instructions to Offerors, stated that in preparing technical responses to the RTOs,

[t]he offeror shall provide a narrative to implement and staff these tasks. The response must be specific, detailed, and complete enough to demonstrate your understanding of the technical objectives and problems in meeting the task requirements, including resource estimates, schedule, risk identification and mitigation. At a minimum, each response to the representative tasks must address the following:

What elements of your organization are involved and when?

How will these tasks be managed, including configuration, subcontracting, schedule, and cost control?

With which organizations (both civil servant and Contractor), involved in each task, would you interface and how would this be done?

What types of key personnel and skills are needed; when; and how much manpower will be needed?

What specific facilities and equipment are required?

What is the flow of activities from start to completion?

What are the elements of cost (unpriced)?

Any assumptions made in preparing a response to those problems must be clearly stated.

NOTE: THE OFFEROR IS NOT TO PERFORM ANY ACTUAL DESIGN WORK IN RESPONSE TO THE RFP.

RFP § L.18.1, at 94-95. This instruction not only specifically cautions the offeror against performing design work in responding to the RFPs, but also describes the required elements of the desired response in terms of an approach (e.g., address elements of organization that will be involved and how the tasks will be managed), not a solution. Similarly, the evaluation scheme under the understanding the requirement subfactor of the mission suitability factor focused on the offeror's demonstrated knowledge of the problem and approach to solving it:

The offeror will be evaluated on the basis of how well it demonstrates understanding of the technical objectives and problems in meeting the task requirements, including:

1. Realism of the estimated expertise and proper staffing needed to accomplish the objectives as well as resource estimates and facility utilization;
2. Completeness and accuracy in the identification of critical issues, including risk identification and mitigation;
3. Thoroughness of discussion of how the problem would be solved, including technical approach and schedule.

RFP § M.5.1, at 112. This emphasis on approaches to solving the RTO problems also was consistent with an agency statement, released prior to issuance of the solicitation in response to potential offerors' questions concerning the draft solicitation, that "the offeror is not to perform any actual design work in response to the RFP. The representative tasks are designed to show the offeror's approach to implementing, managing and staffing the tasked effort." Agency Report, Tab 6d, Frequently Asked Questions, July 9, 1998, at 2.

SGT correctly notes that, in view of the significant differences in foundry costs among the various [DELETED] material technologies, not requiring offerors to select a material technology could prevent the agency from forming a reasoned conclusion as to probable cost of an offeror's approach to RTO 4 (which called for production of 25 FPGA/ASIC engineering model devices). This, in turn, could preclude an apples-to-apples comparison among the offerors, working to the disadvantage of SGT, which specified a compliant, but more costly, materials technology.

However, the agency evaluated this potential for disparate treatment by essentially normalizing offerors' foundry costs, thus substantially lowering the protester's probable cost. In this regard, our Office has recognized that when an agency is performing a cost realism analysis, it may be appropriate to normalize certain costs in order to achieve a greater degree of cost realism. Cost normalization involves the measurement of offerors against the same baseline where there is no logical basis for the differences in approach or where there is insufficient information with the proposals, leading to the establishment of a common "should have bid" estimates by the agency. The purpose of such an analysis is to segregate cost factors which are "company unique"--depending on variables resulting from dissimilar company policies--from those which are generally applicable to all offerors and therefore subject to normalization. The Research Found. of State Univ. of New York, B-274269, Dec. 2, 1996, 96-2 CPD ¶ 207 at 5.

The record indicates that, although the formal briefing package presented to the SSA and the source selection statement refer to probable cost figures that include foundry costs under RTO 4, Agency Report, Tab 16d, Initial Evaluation Presentation to SSA, at 91-92; Agency Report, Tab 22, Source Selection Statement, at 6-7, the cost evaluation report included an alternate probable cost comparison which deleted foundry costs. When proposed foundry costs were deleted, the agency's analysis indicated that the probable cost of QSS's proposal (exclusive of fee) was \$[DELETED] (reduced from \$[DELETED]), while the probable cost of SGT's proposal (exclusive of fee) was \$[DELETED] (reduced from \$[DELETED]). Agency Report, Tab 16g, Initial Cost Evaluation Findings, Enclosure 3; Tr. at 88. NASA found that SGT's probable cost remained significantly higher than QSS's even after backing out the foundry costs, in part, because SGT, unlike QSS, [DELETED], Agency Report, Tab 13b, SGT Cost/Price Proposal, § 1.a.2; Agency Report, Tab 12b, QSS Cost/Price Proposal, at 2, and SGT proposed significantly higher skill levels than assumed in the government estimate or proposed by QSS. Tr. at 139-43.⁵ The

⁵SGT's proposed/probable number of hours ([DELETED] hours) for RTO 4 were significantly lower than either QSS's ([DELETED] hours) or the in-house estimate's (3,196 hours), and the probable cost of SGT's effort (exclusive of fee) after backing (continued...)

record further indicates that the alternate cost comparison (i.e., with the normalized foundry costs) was presented to, and discussed with, the SSA, and that the SSA concluded that QSS's higher-rated proposal still offered the best value to the government, notwithstanding the reduction in QSS's cost advantage relative to SGT. Tr. at 145-51, 213-18; Agency Hearing Comments, Mar. 8, 1999, Declaration of SSA, at 2.⁶ We conclude that NASA reasonably evaluated QSS's and SGT's responses to the RTOs.

PAST PERFORMANCE

SGT argues that assigning SGT and QSS the same very good ratings under the past performance factor in effect improperly offset SGT's greater experience with respect to aerospace engineering/flight hardware against the past performance experience of QSS's proposed subcontractors, Orbital Sciences Corporation and Raytheon STX Corporation. SGT believes that it deserved an evaluation advantage over QSS because QSS itself lacked equivalent experience in this area.

The RFP required offerors to furnish specified past performance information concerning no more than five contracts or subcontracts valued in excess of

⁵(...continued)

out foundry costs (\$[DELETED]) still was significantly higher than QSS's (\$[DELETED]). Agency Report, Tab 16g, Initial Cost Evaluation Findings, Level 2 Cost Charts and Enclosure 3, RTO #4 Analysis. This further supports the conclusion that the probable cost of SGT's proposal was higher for reasons beyond those associated with its proposal of a [DELETED] material technology.

⁶SGT argues that NASA failed to account for general and administrative loading on foundry-related other direct costs when it backed out the foundry costs. However, the potential impact of this alleged deficiency is only \$[DELETED], an amount that was clearly insignificant in the context of the overall evaluation. SGT Hearing Comments, Mar. 8, 1999, at 13 n. 4 and Tab B. SGT also argues that NASA improperly failed to adjust cost proposals to account for the fact that QSS improperly proposed approximately [DELETED] percent of its RTO staffing on-site, thus taking advantage of lower overhead and fee rates, while SGT proposed all higher-cost off-site RTO staffing. However, this argument is untimely. The basis for the argument was apparent from the copy of QSS's proposal and relevant evaluation documentation SGT received on January 13, 1999, but SGT raised the argument in its comments of February 3, more than 10 days later. 4 C.F.R. § 21.2(a)(2) (1998). In any case, we agree with NASA that use of on-site facilities with respect to the RTOs was authorized in the general background to the RTOs, where it was stated that "[t]he spacecraft will be developed, integrated, and tested in-house at the GSFC." RFP Enclosure A, Representative Task Orders, at 1.

\$3,000,000 and active or awarded in the last 3 years, for the offeror and "subcontractors [proposed] to occupy a major role." RFP § L.20.1, at 103-04. The RFP provided that the evaluation of past performance would take into account technical performance ("the offeror's compliance with technical requirements and performance standards"), schedule performance ("how well the offeror has met completion dates"), and cost performance ("cost increases and cost savings"). RFP § M.7, at 117-18. The RFP included a past performance questionnaire which offerors were to forward to their references; this questionnaire requested information on the extent of the contractor's experience with respect to 42 work elements and the quality of its technical, schedule, business and cost performance. RFP Exhibit A, Past Performance Questionnaire.

In its proposal, QSS stated that it "projected a [DELETED] percent share for QSS, anticipating that as much as [DELETED] percent could be performed by specialty subcontractors, while still permitting QSS to perform at least 50 percent of the contract"; QSS proposed to subcontract [DELETED] percent of the work to Orbital and [DELETED] percent to Raytheon. Agency Report, Tab 12a, QSS Technical Proposal, at 78-79; Agency Report, Tab 12b, QSS Cost/Price Proposal, at 7. (SGT notes that QSS proposed to furnish only [DELETED] percent of the proposed staffing for the RTOs, with the remainder to be furnished by its subcontractors. SGT Hearing Comments, Mar. 8, 1999, at 27.) QSS listed and described in detail three primary contracts each for itself, Orbital and Raytheon. Two of the three QSS contracts were with GSFC; a past performance questionnaire was returned for one of these two contracts. QSS's self description of the contracts and the returned questionnaire indicated that QSS's experience under these contracts was primarily in the areas of project management, information technology and information technology-related systems engineering, although the contract for which no questionnaire was returned appeared to include fabrication, assembly and testing services as well. Agency Report, Tab 12c, QSS Business Management Proposal, at 9, 12-18; Agency Report, Tab 34a, Past Performance Questionnaires. The third QSS contract, valued by QSS at only \$3 million, was described as involving science and software support for the National Oceanographic and Atmospheric Administration (NOAA), including support of its satellite based microwave climate system and other satellite systems, as well as project management and systems engineering. Agency Report, Tab 12c, QSS Business Management Proposal, at 9, 19-21; Agency Report, Tab 34a, Past Performance Questionnaires. In the work element matrix of 42 work elements in the two returned past performance questionnaires, QSS was described as possessing significant experience in 9 of the 42 work elements and moderate experience in an additional 11 work elements. However, QSS's proposed subcontractors, Orbital and Raytheon, were described in returned questionnaires as possessing moderate or significant experience in 39 of 42 work elements, and minimal experience in the remaining three areas. Agency Report, Tab 34a, Past Performance Questionnaires.

SGT proposed to provide [DELETED] percent of the services purchased by labor hour. Agency Report, Tab 13a, SGT Technical Proposal, at C-16. In the three past performance questionnaires returned for SGT itself, SGT was described as possessing significant experience in 9 of 42 work elements listed in the questionnaires and moderate experience in an additional 19 work elements. Agency Report, Tab 34b, Past Performance Questionnaires. Among the areas in which SGT was described as possessing significant or moderate experience, but QSS was not, were electrical/electronics, radiation effects and analysis, and components design, and solid state device research and development. Id. SGT's proposed subcontractors were described in returned questionnaires as possessing moderate or significant experience in all 42 work elements. Id.

SGT argues that QSS's relative lack of experience with respect to aerospace engineering/flight hardware is especially significant because this procurement was set aside for small businesses, and thus at least 50 percent of the cost of contract performance incurred for personnel was required to be expended by the prime contractor, Federal Acquisition Regulation, § 52.219-14, Limitation on Subcontracting, incorporated into the solicitation at RFP § I.7, at 52. SGT argues that, given the limitations on subcontracting, QSS will be forced to perform work in the area of aerospace engineering/flight hardware, for which it lacks experience. SGT concludes that QSS should not have received the same very good rating for past performance that SGT did.

NASA maintains that "[t]he technical relevancy of QSS's past performance was equal or superior to that of SGT." Agency Hearing Comments, Mar. 8, 1999, at 16. We find no basis for questioning this conclusion.

The record supports SGT's position that the proposals and returned past performance questionnaires indicated that SGT possessed experience in engineering areas, such as electrical/electronics, radiation effects and analysis, and components design, and solid state device research and development, and that QSS lacked similar experience. Further, we agree with the protester that experience in such engineering areas could be an advantage both on account of the limitations on subcontracting imposed on the contractor and because such experience could prove useful in managing the subcontracted performance in these areas. See Technology and Management Servs., Inc., B-240351, B-240351.2, Nov. 7, 1990, 90-2 CPD ¶ 375 at 3-4 (agency reasonably determined that given the complexities of contract performance, it was necessary for the contractor itself to possess relevant corporate experience since a lack of experience would necessarily impair its ability to oversee and manage tasks and perform them if a subcontractor were unavailable.)

However, we cannot agree that SGT's advantage in this regard was so significant that it was unreasonable not to assign a higher relative overall past performance rating. As an initial matter, we note that, although QSS projected performing

[DELETED] percent of the contract effort, it did not commit to meeting that goal, but instead acknowledged that as much as another [DELETED] percent could be performed by subcontractors, presumably with more engineering experience than QSS. Agency Report, Tab 12c, QSS Business Management Proposal, at 78-79. Thus, QSS, like SGT, would only be required to perform 50 percent of the contract effort. Further, there is no basis for concluding that more than 50 percent of the work under the contract will be in the area of aerospace engineering/flight hardware. The solicitation did not include an estimate of the percentage of the overall effort aerospace engineering/flight hardware was expected to represent. In addition, not only does the SOW cover a broad range of work beyond aerospace engineering/flight hardware, but NASA expects that the scope of the expected contract effort in fact will extend beyond aerospace engineering/flight hardware to include work such as management, quality assurance, ground systems hardware, software engineering and information systems, and systems engineering; indeed, according to the agency, a very large portion of the work in the first 6 months of performance is expected to be software engineering and systems engineering. Agency Hearing Comments, Mar. 8, 1999, at 16-17; Agency Comments, Mar. 12, 1999, at 13-14; Tr. at 254-57, 268, 270-71.

The record also supports the agency's position that QSS's experience and performance may be superior to SGT's in certain respects. For example, the magnitude of the three contract efforts QSS selected to describe in its proposal was generally significantly larger than the corresponding numbers for SGT's three contracts: QSS reported contract efforts of [DELETED] employees/\$53 million, [DELETED] employees/\$8.9 million, and [DELETED] employees/\$3 million, Agency Report, Tab 12c, QSS Business Management Proposal, at 12-21, while SGT reported contract efforts of only [DELETED] employees/\$3.8 million, [DELETED] employees/\$5.1 million (the reference returning the past performance questionnaire reported only \$2 million, but this may have been for only part of the overall contract effort), and [DELETED] employees/\$3 million. Agency Report, Tab 13c, SGT Business Management Proposal, at 7-13; Agency Report, Tab 34b, Past Performance Questionnaires. The larger size of QSS's contract efforts, in conjunction with the ratings (2 very good and 1 good) received on its \$53 million contract effort for managing subcontract and team efforts, Agency Report, Tab 34a, Past Performance Questionnaires, support the agency's finding that QSS demonstrated experience managing and performing large prime contracts, Agency Report, Tab 16f, SEB Initial Report, at 24, and that, notwithstanding any differences in the areas of past performance, QSS's past performance indicated that it would be at least as capable as SGT to manage the contemplated \$250 million contract effort.⁷

⁷QSS also received three very good ratings for managing subcontractor and team efforts on its \$3 million NOAA contract, although the reference indicated that QSS
(continued...)

Although SGT suggests that the agency's emphasis on demonstrated ability to manage a contract effort was inconsistent with the stated evaluation approach (RFP § M.7, at 117, specifically refers to technical, schedule and cost performance), we note that the past performance questionnaire included with the RFP requested ratings for management of subcontractor efforts. RFP Exhibit A, Past Performance Questionnaire. In any case, we view demonstrated ability to manage a contract effort as inherent in the evaluation of past performance.

Further support for the agency's position that QSS's experience and performance may be superior to SGT's in certain respects is found in the SEB's determination that the cost performance of SGT's team was only good to very good, with performance varying from excellent to good, and fair on certain highly relevant contracts. Agency Report, Tab 16f, SEB Initial Report, at 57-58. In contrast, the SEB rated QSS's cost performance as very good. *Id.* at 24. We conclude that the past performance evaluation was reasonable.⁸

As noted above, SGT's proposal received a significantly lower score than QSS's under the mission suitability factor, the most important factor; its probable cost, the second most important factor, was at least [DELETED] percent higher than QSS's even after normalizing foundry costs; and NASA reasonably determined that SGT

⁷(...continued)

did not have much experience managing subcontractors on that contract, while SGT received "not applicable" ratings for managing subcontractor and team efforts on two of its three contracts and very good ratings in this regard on a third, described by SGT as having a value of \$5.1 million. Agency Report, Tabs 34a and 34b, Past Performance Questionnaires.

⁸SGT also argues that NASA acted improperly in making award on the basis of initial proposals without conducting discussions. However, there generally is no obligation that a contracting agency conduct discussions where, as here, the RFP specifically instructs offerors of the agency's intent to award a contract on the basis of initial proposals. *Pacifica Servs., Inc.*, B-280921, Dec. 7, 1998, 98-2 CPD ¶ 137 at 8; *Robotic Sys. Tech.*, B-278195.2, Jan. 7, 1998, 98-1 CPD ¶ 20 at 11. While the contracting officer's discretion in deciding not to hold discussions is not unfettered, it is quite broad and has been expanded in recent years. *Id.* Our Office will review the exercise of such discretion to ensure that it was reasonably based on the particular circumstances of the procurement. *Id.* Here, the agency received five technically acceptable proposals, one of which (QSS's) received a significantly higher technical score than SGT's and offered a significantly lower cost. In these circumstances, we conclude that the agency had a basis to make a reasonable source selection decision without conducting discussions.

was not entitled to a superior past performance rating. We conclude that there is no basis to object to the selection of QSS over SGT.

The protest is denied.

Comptroller General
of the United States