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United States General Accounting Office
Washington, DC 20548

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Decision

Matter of: Pueblo Environmental Solution, LLC

File: B-291487; B-291487.2

Date: December 16, 2002

Kenneth B. Weckstein, Esq., Raymond B. Fioravanti, Esq., and Shlomo D. Katz, Esq., Epstein Becker & Green, for the protester.
Marcia G. Madsen, Esq., David F. Dowd, Esq., Cameron S. Hamrick, Esq., and Michael J. Farley, Esq., Mayer, Brown, Rowe & Maw, for Bechtel National, Inc., the intervenor.
Joshua A. Kranzberg, Esq., and Bernadine F. McGuire, Esq., Department of the Army, for the agency.
Guy R. Pietrovito, Esq., and James A. Spangenberg, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. In a negotiated procurement for the design, construction, and operation of a chemical weapon destruction facility, agency reasonably assessed a significant weakness in the protester's proposal because the protester was reasonably found to not provide for total containment in the event of an explosion, as required by the solicitation.

2. In a cost realism evaluation where the agency evaluated numerous areas under which the protester's proposed approach was inadequate and understaffed, the agency properly used its independent government estimate and prior experience on similar projects as tools to assess the amount of additional staffing that would be required under the protester's proposed approach.

3. Protest of agency's cost/technical tradeoff is denied, where the solicitation stated that technical merit was more important than cost and the source selection authority reasonably found, with articulated reasons, that the awardee's technical merit outweighed the protester's cost advantage.

4. Agency reasonably adjusted protester's proposed costs upward in the competition for a cost-reimbursement contract to account for evaluated understaffing and also reasonably determined in the technical evaluation that the understaffing was a weakness that adversely reflected upon the protester's understanding.

DECISION

Pueblo Environmental Solution, LLC[1] protests the award of a contract to Bechtel National, Inc. under request for proposals (RFP) No. DAAA09-00-R-0156, issued by the Department of the Army for the design, construction, equipment acquisition and installation, systemization, pilot testing, operation, and closure of the Pueblo Chemical Agent Destruction Pilot Plant. Pueblo Environmental challenges the agency's technical and cost evaluations and source selection decision.

We deny the protest.

In 1985, Congress required the Department of Defense (DOD) to destroy the United States stockpile of chemical agents and munitions and to establish an organization within the Army to manage the agent destruction program. 50 U.S.C. § 1521 (2000); Chemical Weapons: Lessons Learned, GAO-02-890, Sept. 10, 2002, at 4. In accordance with this direction, the Army was designated as the executive agent to implement the destruction of the United States stockpile of chemical agents and munitions, which includes the stockpile at the Pueblo Chemical Depot, Colorado. The stockpile at Pueblo Chemical Depot consists of mustard agent stored in projectiles and mortar rounds.[2]

In 1996, DOD was directed by Congress to identify and demonstrate at least two alternative processes to incineration for the disposal of assembled chemical weapons. Omnibus Consolidated Appropriations Act for Fiscal Year 1997, P.L. 104-208, § 8065, 110 Stat. 3009-101 (1996). As a result, the Assembled Chemical Weapons Assessment program was established to demonstrate several alternative technologies, including neutralization followed by biotreatment. Report to Congress, Assembled Chemical Weapons Assessment Program, December 2001, available at <www.pmacwa.org>. In July 2002, DOD approved the use of neutralization and biotreatment as the appropriate technology for the destruction of assembled chemical weapons at the Pueblo Chemical Depot.[3] Contracting Officer's Statement at 2.

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[1] Pueblo Environmental is a joint venture of EG&G Defense Materials, Inc., Fluor Federal Services, Inc., and CH2M Hill Constructors, Inc.

[2] Mustard agent is a persistent blister-causing chemical that can cause skin burns and blisters and damage to respiratory airways. See "ToxFAQs, Blister Agents: Mustard," Agency for Toxic Substances and Disease Registry, available at www.atsdr.cdc.gov>; see also Army Pamphlet 385-61, Toxic Chemical Agent Safety Standards, at 3.

[3] Neutralization and biotreatment entails several non-combustion steps. The process involves neutralization of the mustard agent and munitions energetics (that is, fuzes, bursters, and propellants--all of which could be contaminated by the mustard agent) using hot water. This is followed by biotreatment of process and secondary wastes

(continued...)

The RFP, issued July 17, 2002, provided for the award of an indefinite-delivery, indefinite-quantity task order contract to design, construct, equip, operate, and close the Pueblo Chemical Agent Destruction Pilot Plant, the purpose of which is to destroy the chemical agents and munitions in the Pueblo Chemical Depot using neutralization and biotreatment technology.

A detailed scope of work (SOW) was provided, which, among other things, identified mandatory codes, regulations, and standards with which offerors were to comply. Army Pamphlet 385-61, "Toxic Chemical Agent Safety Standards," was one of the mandatory standards identified in the SOW. Three phases were identified for contract performance: Phase I, design, construction, systemization, and pilot testing of a limited quantity of mustard agents to demonstrate effectiveness of the process facility; Phase II, demilitarization of the remaining stockpile of munitions; and Phase III, decontamination and decommissioning of the facility. Offerors were informed that task orders under the contract would be on a cost-plus-fixed-fee or cost-plus-incentive-fee basis.

The RFP provided for award on the basis of a cost/technical tradeoff and identified an evaluation scheme that was divided into successively lower levels of importance. At the first and highest level were criteria called "areas"; the second-level criteria were called "elements"; and the third-level criteria were called "factors." The areas and elements criteria were:[4]

Area	Element
1. Technical Approach	
	a. Technical competence
	b. Innovation focused on program goals
	c. Technical risk identification and mitigation
2. Management Approach	
	a. Project management
	b. Teaming and key personnel

(...continued)
using bacteria. See "Fact Sheets: Neutralization/Biodegradation for Mustard Agent Disposal," U.S. Army Soldier and Biological Chemical Command, available at <http://eca.sbccom.army.mil/fs/neut_bio.htm>.

[4] Numerous equally weighted factors were identified under each of the elements of the technical approach and management approach areas.

3. Past Performance	
	a. Project risk management performance
	b. Cost and schedule management systems performance
	c. Schedule performance
	d. Cost control performance
	e. Past performance using proposed key personnel, corporate team, members, key subcontractors and outside consultants
4. Small Business Utilization	
	a. Proposed small business utilization
	b. Small business utilization past performance
5. Cost	

The evaluation area criteria were listed in descending order of importance, and offerors were informed that the technical approach area was most important, followed "closely" by the management approach area. The listed elements were weighted equally.

With respect to the cost area, the RFP provided for a cost realism and reasonableness evaluation. Offerors were also cautioned that

> any proposal that is unrealistic in terms of technical approach, management approach, schedule commitment, and/or costs (high or low) will be deemed reflective of an inherent lack of technical competence or a failure to comprehend the complexity and risks of the Government's requirements stated in this solicitation. Unrealistic proposals may result in an unacceptable rating, which may render the proposal ineligible for award.

RFP § M.2.2.1.

The RFP requested both written proposals and oral presentations, and detailed instructions for proposal preparation and the oral presentation were provided. For example, under the technical approach area, offerors were instructed to present their "approach to design, construct, and acquire and install equipment, systemize, pilot test, operate and close a neutralization/bio-treatment facility for the safe, environmentally responsible, and timely disposal [of] the mustard material stored at the Pueblo Chemical Depot." RFP § L.15.2.1. As part of addressing this issue, offerors were requested to provide a "Preliminary Design Description" and "Preliminary Design-Build Plan." RFP § L.15.2.2. The RFP also instructed offerors to address the preliminary design-build plan during oral presentations, at which the offerors were to identify, among other things, their approach, design concepts, design tools, and construction methods that would be used in the design and

construction of the facility. RFP § L.15.3.1.b. With respect to cost, offerors were requested to provide full cost proposals for the design phase, and to provide weighted labor rate and material cost build-ups for the other program phases (that is, construction, systemization/pilot test, operations, and closure). RFP § L.15.8.

The Army received proposals from Bechtel and Pueblo Environmental, whose respective proposed solutions were described by the source selection evaluation board (SSEB) as follows:

Bechtel

> The Bechtel total solution includes [Deleted].[5]

Pueblo Environmental

> The [Pueblo Environmental] total solution design includes [Deleted].

Agency Report, Tab 17, SSEB Report, Sept. 19, 2002, at 7-8.

After the initial evaluation of proposals, discussions were conducted with each firm. Questions developed by the SSEB were provided to each offeror before oral presentations, and these questions were part of the question and answer sessions that followed the oral presentations. Further discussions followed the oral presentations. "Interim revised proposals" were received from Bechtel and Pueblo Environmental and evaluated as follows:[6]

		Bechtel	Pueblo Environ.
Area	Element		
Technical Approach		**Excellent**	**Good+**
	Technical Competence	Excellent	Good+
	Innovation	Excellent	Good+
	Risk Identification and Mitigation	Excellent-	Good-
Management Approach		**Good+**	**Excellent**
	Project Management	Good	Excellent

[5] The Army has established different levels for chemical agent contaminations (e.g., 1X, 3X, and 5X). Army Pamphlet 385-61, "Toxic Chemical Agent Safety Standards," Mar. 27, 2002. "5X" condition is identified as where an item has been decontaminated completely of the indicated agent and may be released for general use or sold to the general public. Id. at 72.

[6] Neither offeror made any changes in their final revised proposals.

	Teaming and Key Personnel	Excellent	Excellent-
Past Performance		**Low Risk**	**Low Risk**
	Project Risk Management	Low Risk	Low Risk
	Cost & Schedule Management Systems	Low Risk	Low Risk
	Schedule	Moderate Low Risk	Moderate Low Risk
	Cost Control	Moderate Low Risk	Low Risk
	Key Personnel	Low Risk	Low Risk
Small Business Utilization		**Excellent**	**Excellent**
Proposed Cost		$163.9 million	$52.4 million
Evaluated Cost		$163.9 million	$91.4 million

Agency Report, Tab 21, Source Selection Authority (SSA) Briefing, Sept. 23, 2002, at 5-6, 11, 21.

Bechtel's higher rating under the most important technical approach area reflected the evaluators' judgment that Bechtel had addressed and demonstrated an exceptional range of competencies for successful completion of all phases of the Pueblo Chemical Depot pilot program. Numerous strengths and few weaknesses were identified in Bechtel's proposal under this criterion. For example, the SSEB noted Bechtel's extensive design experience in all aspects of the process equipment and facility design, including experience at the Aberdeen Chemical-Agent Disposal Facility, from which the evaluators found Bechtel demonstrated "strong understanding of the neutralization and biotreatment processes." Agency Report, Tab 17, SSEB Report, at 46, 48.

Pueblo Environmental's lower rating under the technical approach area reflected the evaluators' judgment that, although the protester's proposal contained numerous strengths, the proposal also evidenced a number of weaknesses, including some that were regarded as significant. For example, the SSEB was concerned that Pueblo Environmental did not demonstrate the full range of competencies necessary for successful completion of the program and that, although Pueblo Environmental had demonstrated experience in pilot testing, it failed to state a clear plan for the pilot testing for this program. Id. at 12. Two of Pueblo Environmental's evaluated weaknesses were considered particularly significant: first, the SSEB found that Pueblo Environmental did not fully understand the explosive safety implications in the munitions demilitarization building and enhanced reconfiguration building (which, although this could be corrected, the evaluators found could have cost and schedule implications), and, second, Pueblo Environmental's proposal showed a lack of understanding relating to the potential for agent contamination even after decontamination, which could pose an unreasonable safety risk considering the protester's proposal to bring in "new craft labor" for closure of the facility. Id. at 16, 25.

Under the second most important management approach area, Pueblo Enviromental's proposal was rated superior to Bechtel's proposal based upon the SSEB's judgment that the protester's proposed partnering approach coupled with the proposed use of an incentive fee pool would "foster a continuing culture of innovation." This approach, the SSEB found, was better than Bechtel's proposed prime-subcontractor approach. In addition, Pueblo Environmental proposed a single location for its design team as opposed to Bechtel's less favorably viewed proposal to have three locations for the design effort. Id. at 33, 70.

The cost proposals were evaluated for realism and reasonableness. The cost evaluation team requested field pricing support from the Defense Contract Audit Agency (DCAA) on direct and indirect rates and other direct costs. DCAA found the firms' proposed direct and indirect rates to be reasonable, except in a few minor instances.

In addition, the firms' proposed total costs (of $163.9 million for Bechtel and of $52.4 million for Pueblo Environmental) were evaluated using cost analysis techniques and compared to the independent government estimate (IGE) of $96.9 million. The agency concluded that the difference in Bechtel's and Pueblo Environmental's proposed total costs reflected the firms' differing staffing levels for design completion.[7] The Army concluded that the protester's proposal was severely understaffed and that the awardee's staffing, although higher than estimated in the IGE, reflected Bechtel's proposed technical and management approaches. The judgment that Pueblo Environmental's proposal was severely understaffed was based upon the agency's evaluation of the protester's technical approach, comparison of Pueblo Environmental's proposed costs to the IGE, and the agency's previous experience at similar facilities. The cost evaluation team concluded that the protester's understaffing was based upon "overly optimistic assumptions and a lack of understanding." This conclusion resulted in a $39 million upward adjustment in Pueblo Environmental's costs to reflect the Army's judgment as to what would be the protester's probable costs based upon more reasonable staffing. Agency Report, Tab 16, Cost/Price Evaluation Report, at 2, 9-13.

After a briefing by the SSEB, the source selection advisory council (SSAC) prepared analyses that compared the two firms' respective technical approach, management approach, and past performance ratings. Agency Report, Tab 19, Technical/Management Trade-off Analysis; Tab 20, Past Performance Trade-off Analysis.

[7] Bechtel and Pueblo Environmental both proposed approximately $3.9 million to complete the design/build plan.

The SSAC found that under the technical approach area Bechtel's proposal consistently demonstrated superiority over Pueblo Environmental's. Specifically, the SSAC found that:

> Bechtel consistently showed superiority in each element and in most factors of the Technical Area. Bechtel demonstrated a thorough understanding of the complexity and implications of working with agents and explosives. Bechtel's design capitalizes on their experience with and use of proven and tested equipment.
>
> [Pueblo Environmental] did not demonstrate the same thorough understanding of the complexity and implications of working with agents and explosives. This was evident in the risk area of the proposal, and in their dealing with the explosive safety issues in the [munitions demilitarization building] and [enhanced reconfiguration building].

Agency Report, Tab 19, Technical/Management Trade-off Analysis, at 22.

With respect to the management approach area, the SSAC found that:

> [Pueblo Environmental] is slightly superior in the Management Area because of the single location of its design effort and the seamlessness of its organizational structure, which should enhance collaboration with the government. [Pueblo Environmental] has some significant talent being made available to the [Pueblo Chemical Agent Destruction Pilot Plant]. This talent pool could make a very significant difference in terms of the success of the program.
>
> Bechtel had extensive experience in . . . all facets of [chemical demilitarization].

Id. at 38.

With respect to the past performance area, the SSAC concluded that both firms presented equivalent project risks and "unless the . . . project is very closely and well managed by the government, the risk is going to be moderate for either offeror." Agency Report, Tab 20, Past Performance Trade-off Analysis, at 6.

Following a detailed briefing by the SSAC, the SSA accepted the SSEB's and SSAC's findings. The SSA concluded that Bechtel's proposal was the best value to the government as follows:

> Based on the evaluations, I find that Bechtel's superiority in their technical approach is of significant benefit to the [Pueblo Chemical Agent Destruction Pilot Plant] project. Their demonstrated

> comprehensive and detailed understanding of the complexities involved in designing, operating, maintaining, and closing a facility associated with extremely toxic chemical agent and explosive munitions is expected to minimize overall programmatic risk. [Pueblo Environmental's] significantly less than full understanding of blast design and explosive safety implications for explosive containment in the [munitions demilitarization building] and [enhanced reconfiguration building], and their apparent limited understanding of working with chemical agent materi[a]l could lead to design inadequacies that adversely impact the program throughout its life cycle. I believe their failure to identify high priority risks and their low staffing profiles provide further evidence of their lack of understanding of the unique and complex aspects of performing in an explosive chemical agent materi[a]l environment. The unique complexities of handling aging and deteriorating chemical agent munitions must not be underestimated. The need to ensure the facility is designed, constructed, operated, and maintained to ensure explosive and agent containment is paramount. The history of the Chemical Demilitarization Program is replete with examples where underestimating the unique challenges has le[]d to significant cost growths and schedule delays. While [Pueblo Environmental's] management team and organizational structure are seen as advantageous to Bechtel's in the area of Management Approach, these advantages primarily impact efficiency and do not have the significance of Bechtel's Technical Approach advantages. The Bechtel advantage is further magnified considering the fact that Technical Approach is a higher weighted factor than Management Approach. I found both offerors equivalent in the areas of Past Performance and Small Business Utilization. [Pueblo Environmental] has an evaluated Cost advantage. However, I do not consider it a significant advantage, based on the apparent lack of understanding [of] the complexities of the project by [Pueblo Environmental], which increases the overall performance risk and associated cost risk. The weakness of technical understanding reflected in the [Pueblo Environmental] cost proposal presages a situation where the government and the contractor will spend significant time and energy during execution phases re-baselining an initially under resourced baseline. Bechtel's cost while higher do reflect an understanding of the challenges with a chemical demilitarization project. When I compare Bechtel's Technical Approach advantages to [Pueblo Environmental's] advantages in lesser weighted areas of Management Approach and Cost/Price, I find Bechtel is the best value.

Agency Report, Tab 22, Source Selection Decision, at 7-8.

Award was made to Bechtel, and this protest followed. Performance of Bechtel's contract has been stayed pending our decision in this matter.

Pueblo Environmental first challenges the Army's evaluation of its technical proposal. In reviewing protests against allegedly improper evaluations, it is not our role to reevaluate proposals. Rather, our Office examines the record to determine whether the agency's judgment was reasonable and in accord with the RFP criteria. Abt Assocs., Inc., B-237060.2, Feb. 26, 1990, 90-1 CPD ¶ 223 at 4. The protester's mere disagreement with the agency's judgment does not establish that an evaluation was unreasonable. UNICCO Gov't Servs., Inc., B-277658, Nov. 7, 1997, 97-2 CPD ¶ 134 at 7.

Here, we find that the Army's technical evaluation was reasonable and consistent with the RFP criteria. The record shows that both Bechtel's and Pueblo Environmental's proposals were viewed favorably by the Army. However, despite the protester's high technical ratings, the agency evaluated Bechtel's proposal as being technically superior to Pueblo Environmental's under the technical approach area. This assessment was based in large part upon the agency's judgment that in contrast to Bechtel's proposal, Pueblo Environmental's proposal contained numerous weaknesses, including two significant weaknesses, under the most important technical approach area, and that these significant weaknesses evidenced a lack of understanding on Pueblo Environmental's part.

Pueblo Environmental argues that the agency's assessment that it lacked understanding was "arbitrary because the Army's technical evaluators already had found that [Pueblo Environmental] had a 'High Good' technical understanding." Protester's Comments at 7. In this regard, the protester notes that, under the solicitation adjectival evaluation scheme for the technical and management areas, a "good" rating reflected a "[p]roposal [that] demonstrates a good understanding of requirements and approach that exeeds performance or capability standards." See RFP § M.2.4.3.

Adjectival ratings and point scores are only a guide to assist agencies in evaluating proposals; information on advantages and disadvantages of proposals is the type of information that source selection officials should have in addition to ratings and point scores to enable them to determine whether and to what extent meaningful differences exist between proposals. Proposals with the same or similar adjectival ratings are not necessarily of equal quality and the agency may properly consider specific advantages that make one proposal of higher quality than another. Oceaneering Int'l, Inc., B-287325, June 5, 2001, 2001 CPD ¶ 95 at 13.

The record shows that this was precisely what the SSAC and SSA did here. While acknowledging the strengths in Pueblo Environmental's proposal, the agency focused on the weaknesses, including the two significant weaknesses, assessed in Pueblo Environmental's technical proposal, which the agency found showed a lack

of understanding of significant aspects of the project. This type of analysis by the SSAC and SSA, giving due consideration to the evaluation conclusions of the lower-level evaluators, was entirely appropriate and reasonable. See GTE Hawaiian Tel. Co., Inc., B-276487.2, June 30, 1997, 97-2 CPD ¶ 21 at 18-19.

The protester objects to the evaluation finding that Pueblo Environmental's approach to explosive containment was a significant proposal weakness that demonstrated the firm's lack of technical understanding. The protester notes in this regard that the RFP only requested that offerors provide a preliminary design description, which the protester asserts it did. Pueblo Environmental also contends that during discussions, it emphasized that its approach was preliminary. The firm also stated during discussions "that the explosive containment requirements for this project would be much less than for other chemical demilitarization projects." Protester's Comments at 12.

As discussed below, based on review, we find no basis to question the agency's assessment of the protester's explosive containment approach as a significant weakness demonstrating a lack of understanding.

Although it is true that the RFP only requested a preliminary design description, offerors were still required to identify their proposed "design concepts, design tools, [and] construction methods that will be used in the design and construction of the Pueblo Chemical Agent Destruction Pilot Plant." See RFP §§ L.15.2, L.15.3. This provided the agency with the means to evaluate these preliminary designs to assess the relative merits of the offerors' designs and approaches. See RFP § M.2.4.1.

Both firms proposed to remove "energetics" (that is, explosives) from the chemical munitions using PMD machines. Unlike Bechtel, however, [Deleted], see Agency Report, Tab 37, Bechtel Technical Proposal, at 8, Pueblo Environmental proposed to use the PMD machines in [Deleted]. Agency Report, Tab 28, Pueblo Environmental Technical Proposal, at 7. The Army was concerned that the protester's approach to explosive containment did not satisfy the "total containment" requirement contained in Army Pamphlet 385-61, Toxic Chemical Agent Safety Standards (at 25), incorporated into the RFP, which states:

> Total containment will be provided by equiment or facility of a tested design that assures sufficient capacity and strength to contain all combustion and detonation gases, fragments, and agent from the largest explosion that could occur based upon the propagation characteristics of the ammunition.

Pueblo Environmental disagrees with the agency's assessment of what is required for total explosive containment, arguing that [Deleted]. The protester also asserts that its use of "proven" PMD machines mitigates the risk of explosion in removing energetics from projectiles.

The agency recognized the merit in using PMD machines to remove energetics, but was concerned that there continued to be an explosion risk. The agency also found that although [Deleted], explosion risk remains when the PMD machines are used on munitions such as those to be processed at the Pueblo Chemical Agent Destruction Pilot Plant. With these concerns in mind, the agency determined that Pueblo Environmental's proposed approach would not satisfy the total containment requirement of Army Pamphlet 385-61.

Here, not only does Pueblo Environmental admit that it did not specifically address this requirement in its proposal, Protester's Comments at 10, but its solution of [Deleted] did not provide the same level of explosion containment as provided by Bechtel's solution.[8] Given the grave consequences presented by a possible leak of chemical agent, the Army's emphasis on total containment in the event of an explosion is reasonable. The agency could reasonably find that Pueblo Environmental's proposed technical approach using [Deleted], together with its failure to address Army Pamphlet 385-61, demonstrated the firm's lack of understanding of the total explosive containment requirements.[9] Although the protester disagrees with the agency's judgment, this does not demonstrate that the agency's evaluation assessment was unreasonable. See UNICCO Gov't Servs., Inc., supra, at 7.

In sum, we find that the agency's determination that Pueblo Environmental's technical proposal contained significant weaknesses that adversely reflected on that firm's understanding was reasonable.[10]

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[8] The Army states that a [Deleted]. Contracting Officer's Statement at 30.

[9] We disagree with the protester's assertion that the agency "accepted" the protester's design solution during the oral presentation. Rather, the portion of the oral presentation referenced by the protester only evidences that the agency identified its concern with explosive containment to Pueblo Environmental and agreed with the protester that it was the protester's responsibility to have some design for explosive containment. Pueblo Environmental Oral Presentation Video Tape No. 5. We note that Pueblo Environmental does not contend that the agency's discussions with it were not meaningful or were misleading.

[10] Pueblo Environmental initially protested the agency's determination that the protester's technical proposal reflected a number of other weaknesses, including that the protester's proposal showed a lack of understanding relating to the potential for agent contamination even after decontamination, which the agency found to be a significant weakness and one that could pose an unreasonable safety risk. The Army replied in detail to these protest allegations, effectively rebutting each allegation. Because the protester did not respond to the agency's position in its comments, we consider these allegations to have been abandoned. Uniband, Inc., B-289305, Feb. 8, 2002, 2002 CPD ¶ 51 at 5-6 n.3.

Pueblo Environmental next protests the Army's cost realism adjustment of its cost proposal to reflect the agency's judgment that the protester's proposal was understaffed. The protester complains that the Army did not "make a reasonable determination that [Pueblo Environmental's] own approach would require more staffing." Protester's Comments at 18. Pueblo Environmental argues that the Army's cost realism evaluation did no more than compare the protester's proposed costs to the IGE and the agency's cost experience under other contracts.

When agencies evaluate proposals for the award of cost-reimbursement contracts, an offeror's proposed estimated costs are generally not dispositive because, regardless of the costs proposed, the government is bound to pay the contractor its actual and allowable costs. Advanced Sciences, Inc., B-259569.3, July 3, 1995, 95-2 CPD ¶ 52 at 11. Consequently, a cost realism analysis must be performed by the agency to determine the extent to which an offeror's proposed costs represent what the contract should cost, assuming reasonable economy and efficiency. FAR §§ 15.305(a)(1), 15.404-1(d); CACI, Inc.–Fed., B-216516, Nov. 19, 1984, 84-2 CPD ¶ 542 at 5. Our review of an agency's judgment in this area is limited to determining whether the agency's cost evaluation was reasonably based and not arbitrary. NV Servs., B-284119.2, Feb. 25, 2000, 2000 CPD ¶ 64 at 7.

Here, we find that the Army reasonably evaluated the cost realism of Pueblo Environmental's proposal. The record establishes that the protester's technical and management approaches and proposed staffing levels for the protester's design/build plan and design completion proposal were carefully analyzed by the SSEB. See Agency Report, Tab 17, SSEB Report, at 106-17. From this review, the SSEB identified six specific areas in which Pueblo Environmental's design/build plan and design completion proposal were inadequate and understaffed, considering that firm's proposed technical approach. Id. at 114.

The protester does not challenge any of these specific SSEB findings. In addition, the record shows that Pueblo Environmental received numerous questions from the agency concerning its proposed staffing, and was specifically informed that its proposed staffing appeared low in comparison to the IGE and with the agency's experience on other chemical demilitarization projects. See, e.g., Agency Report, Tab 6, Memorandum of Meeting with Pueblo Environmental, Sept. 10, 2002 ("government's concern was just to ensure that the [Pueblo Environmental] team had taken a good hard look at its staffing numbers"). Although not disputing that its proposal was reasonably found inadequate in these six specific areas as evaluated by the SSEB, Pueblo Environmental nevertheless complains that the Army used only the IGE and the agency's past experience to determine the amount of additional staffing that would be required to account for the inadequacies.

We find that the Army appropriately used the IGE and its past experience as tools in assessing the amount of additional staffing that Pueblo Environmental would require for contract performance. An agency may reasonably use an IGE or its past

experience in assessing the realism of an offeror's approach, and we will not sustain a protest of an agency's staffing estimate where, as here, the protester does not show that the agency's estimates are unreasonable. See, e.g., IT Facility Servs.-Joint Venture, B-285841, Oct. 17, 2000, 2000 CPD ¶ 177 at 6-9; National Steel and Shipbuilding Co., B-281142, B-281142.2, Jan. 4, 1999, 99-2 CPD ¶ 95 at 12-13.

In short, contrary to the protester's arguments, the Army reasonably assessed the cost realism of Pueblo Environmental's proposed approach. This assessment resulted in an unrebutted finding that the protester's proposal was inadequate and understaffed in several specific areas. To determine the amount of additional staffing that would be required by the protester to perform the contract, the Army used the IGE and its prior experience with other chemical demilitarization projects. Although the protester disagrees with the agency's approach and judgment, that disagreement does not demonstrate that the agency's estimates were unreasonable. IT Facility Servs.-Joint Venture, supra, at 7-8.

Pueblo Environmental also protests the Army's source selection decision, complaining that the SSA did not give appropriate (or any) consideration to the protester's low cost in determining that Bechtel's higher-rated proposal reflected the best value to the government. The protester complains that the SSA did not identify the specific benefits that the government would obtain in selecting Bechtel's higher-cost proposal.

Our review of cost/technical tradeoff decisions is limited to a determination of whether the tradeoff was reasonable and consistent with the solicitation's evaluation criteria. Southwest Marine, Inc.; American Sys. Eng'g Corp., B-265865.3, B-265865.4, Jan. 23, 1996, 96-1 CPD ¶ 56 at 10. Award may be made to a firm that submitted a higher-rated, higher-cost proposal where the decision is consistent with the evaluation criteria and the agency reasonably determines that the technical superiority of the higher cost offer outweighs the cost difference. National Toxicology Labs., Inc., B-281074.2, Jan. 11, 1999, 99-1 CPD ¶ 5 at 7. There is no requirement, however, that a selection official, in performing a cost/technical tradeoff, quantify the value of the technical advantages offered. TeKONTROL, Inc., B-290270, June 10, 2002, 2002 CPD ¶ 97 at 5; Southwest Marine, Inc.; American Sys. Eng'g Corp., supra, at 19.

We find, contrary to the protester's arguments, that the SSA adequately considered Pueblo Environmental's evaluated cost advantage in his decision and reasonably articulated the reasons why Bechtel's evaluated technical advantage was worth the associated cost premium. The record shows that the SSA was well aware of the protester's proposed and probable costs, and that the protester's costs were considerably below Bechtel's proposed and evaluated costs. See Agency Report, Tab 22, Source Selection Decision, at 7. The SSA found, however, that Bechtel's higher proposal rating reflected a real technical superiority that translated into lower risk in terms of safety, schedule, and cost. In this regard, the SSA stressed "[t]he unique complexities of handling aging and deteriorating chemical agent munitions"

and "the [paramount] need to ensure [that] the facility is designed, constructed, operated and maintained to ensure explosive and agent containment." Id. at 8. Assessing the protester's evaluated cost advantage, the SSA found this advantage was not "a significant advantage, based on the apparent lack of understanding of the complexities of the project by [Pueblo Environmental], which increases the overall performance risk and associated cost risk." Id. Based on the record, we think that the SSA reasonably concluded that Pueblo Environmental's evaluated cost advantage did not outweigh Bechtel's technical superiority. This judgment is consistent with the RFP's evaluation scheme, which provided for a cost/technical tradeoff and stated that technical merit was more important than cost.

The protester finally complains that the agency "penalized [Pueblo Environmental] twice" when it upwardly adjusted the protester's proposed costs to account for the firm's understaffing and when the SSA in his source selection document considered the firm's low staffing as evidence of the protester's lack of understanding. In the protester's view, "the Army's cost adjustment represents the cost of erasing [Pueblo Environmental's] alleged weakness for understaffing." Protester's Comments at 22.

We disagree. An agency is not prohibited from making cost realism adjustments and also downgrading a technical proposal, where, as here, the cost adjustments are necessary to reflect the offeror's probable costs of performance based on its proposal and the weaknesses assessed in the offeror's technical evaluation reflect the performance risk stemming from the inadequacy of the technical proposal. See Basic Contracting Servs., Inc., B-284649, May 18, 2000, 2000 CPD ¶ 120 at 12. The Army's upward adjustment of the Pueblo Environmental's proposed costs did not "erase" the weakness associated with its technical approach resulting from its very low staffing level, which the Army reasonably found adversely reflected upon the firm's understanding of the contract requirements. That is, the agency reasonably concluded that the question of the protester's understanding remained, even after its staffing was adjusted to a more realistic level in the cost realism analysis.

The protest is denied.

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General Counsel