



The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Research Analysis & Management Corp.
File: B-229057
Date: November 25, 1987

DIGEST

1. Protest that the proposed awardee's proposal failed to comply with solicitation technical requirement for a certain type of warehouse within an hour's driving radius of the user activity is denied where record shows that the proposed awardee's proposal met this requirement.
2. Since an agency's cost realism evaluation necessarily involves the exercise of informed judgment as to what costs may be incurred by accepting a proposal to perform a cost type contract, the General Accounting Office will not disturb the results of that evaluation unless it clearly lacks a reasonable basis.

DECISION

Research Analysis & Management Corporation (RAM) protests the proposed award of a contract to Egan McAllister Associates, Inc. (Egan) under request for proposals (RFP) No. N00421-87-R-0025 issued by the Naval Air Station, Patuxent River, Maryland. The RFP solicits logistics management support including, among other things, equipment storage and transportation for the Systems Engineering and Integration (SEI) Branch of the Communication and Tactical Systems Division of the Naval Electronic Systems Engineering Activity (NESEA).

RAM contends that Egan is not entitled to award because its proposal is technically unacceptable for failure to offer 10,000 square feet of environmentally controlled warehouse

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space within an hour's driving radius of NESEA as required by the RFP. The protester also asserts that the cost realism analysis was inadequate because the Navy failed to consider the fact that while the warehouse space offered by the protester was adjacent to the testing site, Eagan offered other warehouse space requiring a double shipment and double handling of the equipment which would raise the transportation and labor cost of Eagan's performance. We deny the protest.

The RFP contemplated a 1-year, cost-plus-fixed-fee contract with 3 option years. The RFP also provided that award would be made to the technically acceptable offeror proposing the lowest realistic cost. The agency received five proposals. Only RAM and Eagan were found to be technically acceptable. Since both proposals were acceptable as submitted the agency decided to award based on initial proposals to the technically acceptable offeror with the lowest evaluated cost, that is, Eagan.

The RFP required that the successful offeror be able to furnish at time of award 10,000 square feet of warehouse space within a 1-hour driving radius of NESEA. RAM contends Eagan's proposal was technically unacceptable because RAM proposed the only available warehouse space meeting the RFP's requirement. RAM proposed to furnish warehouse space leased from Bendix Field Engineering Corporation which is located in the same building as the facility used by Bendix for assembly, test, and checkout of the inventory to be transported and stored under this contract. However, Eagan also proposed to use the same Bendix space; it also proposed three additional alternatives for interim and permanent warehouse space. The agency considered all of Eagan's proposed alternatives to be in compliance with the RFP and acceptable.

The procuring agency has the primary responsibility for determining its needs and for drafting requirements that reflect those needs, since it is the agency that is most familiar with how the supplies or services have been or will be used. Venram Inc., B-214657, July 2, 1984, 84-2 CPD ¶ 7. The agency also is primarily responsible for evaluating an offer for a product or service and determining whether the equipment or service meets the agency's requirements. Protek Industries, Inc., B-209505, Sept. 22, 1983, 83-2 CPD ¶ 359. Therefore, we will not disturb either an agency's decision as to the best method of accommodating its needs, or the agency's technical decision whether an offered service meets those needs, absent a clear showing by the protester that the decision was unreasonable. Elsco International, B-215664, Dec. 17, 1984, 84-2 CPD ¶ 672.

Here, the Navy reviewed Eagan's proposal for warehouse facilities and determined all alternatives, including an offer of the Bendix facility, to be technically acceptable. Eagan's offer provided that the space occupied by Bendix would be obtained by a sublease with Bendix or by lease from the property's owner. Eagan alternatively offered to build a facility which met the agency's needs or to lease at two other specified sites which would meet agency requirements. We find nothing in the record to show that the agency's determination that Eagan met the RFP requirement was unreasonable.

In its comments to the agency report, the protester argues that since it represented in its proposal that it had an exclusive agreement for use of the Bendix warehouse space, the Navy's reliance upon representations made in Eagan's proposal that Bendix had committed the same warehouse space to Eagan was not reasonable. We do not agree. The RFP did not require and neither offeror furnished with its proposal evidence of an agreement with Bendix for use of the warehouse space.

Further, in examining both firms' offers of the Bendix property, the Navy reasonably determined that both RAM and Eagan had obtained commitments from Bendix to lease its facilities that were contingent on the firms' winning the contract. (In fact, Bendix's agreement with RAM, filed as a protest exhibit, shows the agreement was contingent on RAM's receiving the award.) In any event, this determination has no bearing on the acceptability of the Eagan proposal, since, as previously stated, Eagan's proposed alternatives to the Bendix space were also determined to be technically acceptable.

RAM's allegation that the Navy failed to conduct a fair and reasonable cost realism analysis of Eagan's proposal is based primarily on the fact that RAM's proposed contractor-furnished warehouse space (the Bendix property) is adjacent to the testing site, but that Eagan's use of some other warehouse space would require a double shipment and double handling of the equipment, thus raising the costs of Eagan's offer. RAM claims that if adjacent warehouse space is not used, Eagan would have to transport the equipment from NESEA to a warehouse; from the warehouse to the test facility; and from the test facility back to the warehouse for shipment. In contrast, RAM's proposal involves transporting the equipment from one building at NESEA to the adjacent test facility and back to the adjacent warehouse. RAM contends that in performing the cost realism evaluation, the Navy did not take Eagan's additional handling time into account nor

the transfer of items from current storage. RAM asserts that if the Navy considered these costs, it would have concluded that RAM offered the lowest evaluated cost to the government.

An agency is not required to conduct an in-depth cost analysis or to verify each and every item in conducting its cost realism analysis. Rather, the evaluation of competing cost proposals requires the exercise of informed judgment by the contracting agency involved, since it is in the best position to assess "realism" of cost and technical approaches and must bear the major criticism for the difficulty or expenses resulting from a defective cost analysis. Since the cost realism analysis is a judgment function on the part of the contracting agency, our review is limited to a determination of whether an agency's cost evaluation was reasonably based and was not arbitrary. Marine Design Technologies, Inc., B-221897, May 29, 1986, 86-1 CPD ¶ 502; Polaris, Inc., B-220066, Dec. 16, 1985, 85-2 CPD ¶ 669.

Under this standard, we have reviewed the results of the Navy's cost realism evaluation, and we cannot conclude that the results reached were unreasonable. The Navy verified Eagan's costs on the basis of the Defense Contract Audit Agency's audit report. The contracting officer concluded that Eagan's overhead and G&A rates were reasonable. However, Eagan's wage rates were substantially adjusted upward. The record shows that RAM's proposed costs were accepted as realistic and even after a considerable upward adjustment of proposed cost for Eagan, RAM could not overcome Eagan's cost advantage. Furthermore, although both RAM and Eagan were found to be technically acceptable, a review of the Navy's technical evaluation indicates that Eagan submitted the superior proposal at a substantial savings to the Government even after the cost realism analysis.

With regard to the warehouse transportation costs, as discussed earlier, Eagan's four proposed alternate sites for warehouse space were all considered technically acceptable. Clearly, if Eagan uses the Bendix space no additional cost adjustment is required. However, since the warehouse function is only 12 percent of the entire contract the record indicates that even if Eagan used a different site and additional transportation and labor costs were taken into consideration, it would not be enough to erase the substantial cost advantage of the Eagan proposal. Additionally, the RFP included a government's labor hour estimate of two manyears for warehouse worker based upon the offeror's warehouse being located within an hour's driving radius of NESEA. Since all alternate sites proposed by Eagan were

within the 1-hour distance, Eagan's proposed two manyears was considered realistic. Under the circumstances, we find the Navy's cost evaluation to be reasonable.

We deny the protest.

for Seymour Egan
James F. Hinchman
General Counsel