



The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Systran Corporation
File: B-228562; B-228562.2
Date: February 29, 1988

DIGEST

1. Contracting agency may properly make award to a lower-priced, lower-rated offeror, although the solicitation provided that cost would be secondary to technical excellence, where solicitation provided for award on the basis of a best-buy analysis and the contracting officer reasonably determined that the technical advantage from the highest-rated proposal was less significant than the possible cost savings from a lower-rated proposal, and the cost-technical tradeoff is otherwise consistent with the evaluation scheme in the solicitation.
2. Cost realism analysis is reasonable, and thus unobjectionable, where agency reviewed separate cost elements of proposal in light of historical costs and, with input from Defense Contract Audit Agency, determined that no upward adjustments of awardee's cost elements were necessary.

DECISION

Systran Corporation protests the proposed award of a contract to Oneida Resources, Inc., under Department of the Air Force request for proposals (RFP) No. F33615-87-R-1462. Systran, the incumbent, contends that the Air Force improperly evaluated Oneida's proposal; that the technical superiority of its own proposal outweighs Oneida's lower cost; and that the agency's cost realism analysis was improper. We deny the protest.

BACKGROUND

The RFP solicited offers to provide avionics hardware and software documentation (engineering support) at the Avionics Laboratory, Wright-Patterson Air Force Base, Ohio, and contemplated the award of a time-and-materials, indefinite

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quantity-type contract for a period of approximately 40 months. Evaluation of proposals was to encompass, in descending order of relative importance, the following factors: (1) Technical Acceptability; (2) Cost Reasonableness, Realism, and Completeness; and (3) Management Capabilities. Past relevant experience also was to be considered in the evaluation of the Technical Acceptability factor. The RFP provided that cost, although secondary in importance to technical excellence, would be a factor in determining the offer most advantageous to the government. For cost evaluation purposes, offerors were to provide labor rates, and an estimated total labor cost was to be calculated by applying the proposed rates to an agency estimated level of hours by labor category.

Award was to be made on the basis of weighing and comparing the technical merit and cost/price of the technically acceptable proposals in order to determine the combination of cost/price and technical merit most advantageous to the government. The RFP reserved to the government the right to award a contract based on other than the lowest cost/price or the highest technical rating.

The agency received three offers and determined all to be technically acceptable. The basic technical evaluation was conducted using the rating categories of excellent, very good, average, poor, and unsatisfactory and, following the initial evaluation, Systran's proposal was rated "very good" with "low risk", while Oneida's proposal was rated "average" with "high risk." Following discussions and evaluation of best and final offers, the technical ranking and risk factor remained the same for Systran, but were upgraded for Oneida to "average" with "medium risk." The reduction in risk assessment for Oneida from high to medium risk essentially was due to Oneida's satisfactory clarification that (1) it possessed the required experience and capabilities with respect to certain computers, and (2) its team possessed experience and familiarity with certain military and Department of Defense standards.

While Systran's proposal was ranked above Oneida's, the source selection official did not consider the technical advantage of Systran's proposal to justify Systran's significantly higher (15 percent) cost. The selection official determined that the variance in risk actually was slight, and essentially stemmed from the difference in the offerors' familiarity with the Avionics Laboratory and its programs. The selection official considered this difference too minimal to justify paying Systran's 15 percent higher cost. Accordingly, the agency selected Oneida for award at a price of \$955,947, which was \$163,769 lower than Systran's proposed \$1,119,716 cost.

EVALUATION/TRADEOFF

Systran primarily takes issue with the reasonableness of the selection of Oneida based on its lower cost, arguing that, by doing so, the agency converted the procurement from one emphasizing technical excellence into one for the lowest estimated cost. More specifically, Systran contends that the technical risk assessment of Oneida's proposal, and particularly the reduction of the firm's risk rating from high to medium, was unreasonable given Oneida's lack of previous experience and adequate personnel to perform the contract. Systran also argues that its 10 years of incumbent experience should have weighed more heavily against Oneida's lack of experience, and that the agency's determination of only a slight technical difference between the offerors was unreasonable. Finally, Systran speculates that the Air Force considered the firm's 15 percent profit fee unreasonable and thus ignored Systran's past experience and technical superiority, while upgrading Oneida's risk assessment, in order to make cost the determining factor in the cost-technical tradeoff.

In reviewing a protest of an allegedly improper evaluation, this Office will not substitute its judgment for that of the agency's evaluators, who have broad discretion but, rather, will examine the record to determine whether the evaluators' judgments were reasonable and in accord with listed criteria and whether there were any violations of procurement statutes and regulations. Norfolk Ship Systems, Inc., B-219404, Sept. 19, 1985, 85-2 CPD ¶ 309. Furthermore, in a negotiated procurement, agency officials have broad discretion in determining the manner and extent to which they will make use of the technical and cost evaluation results. Cost/technical tradeoffs may be made, and the extent to which one may be sacrificed for the other is governed only by the test of rationality and consistency with the established evaluation factors. Grey Advertising, Inc., 55 Comp. Gen. 1111 (1976), 76-1 CPD ¶ 325. The judgment of the procuring agency concerning the significance of the difference in the technical merit of offers is accorded great weight, and we will review such determinations only to assure that they are reasonable. Asset Inc. B-207045, Feb. 14, 1983, 83-1 CPD ¶ 150. We find that the evaluation here was reasonable.

Preliminarily, Systran's apparent understanding that technical considerations ultimately would dictate the award is simply incorrect. As explained above, while the RFP provided that primary evaluation consideration would be given to demonstrated technical competence to perform the tasks involved, the RFP also clearly provided in the basis

for award clause for a best-buy analysis based on a comparison of the technical merit and cost/price of the acceptable proposals. Thus, offerors were on notice that there would be a balancing of cost-technical considerations, precisely what the Air Force did.

While Systran's technical proposal was judged to be very good and a low-risk versus Oneida's average, medium-risk proposal, the source selection official concluded that the technical variance was slight, since it was essentially due to Systran's greater degree of familiarity with the Avionics Laboratory and its programs, gained through incumbent experience. The difference in risk was determined by the selection official not to be significant as it was viewed as essentially a difference in degree of efficiency at contract start. The selection official believed such efficiency could be achieved by Oneida in a relatively short time period of no more than 2 months, and would not prevent successful contract performance. We find nothing unreasonable in this assessment.

The crux of this aspect of the protest seems to be that Systran believes its incumbent experience was so superior to Oneida's that the agency simply could not reasonably find only a slight technical difference between the offerors. However, while the RFP provided that past relevant performance was to be considered in the technical evaluation and required specific experience with certain military standards and computers, the RFP did not require incumbent experience, and nowhere indicated that incumbent experience would weigh more heavily than other experience. Obviously, incumbent experience would be beneficial and the agency clearly recognized the advantage of such experience possessed by the protester in its risk assessment. The RFP did not make incumbent experience so dominant or essential, however, that the agency could not reasonably conclude that another firm with nonincumbent experience could successfully perform the contract, and that other factors including cost, instead should be determinative of the award. We have specifically recognized that source selection officials properly may consider an evaluated technical advantage based primarily on the advantages of incumbency, as not indicating an actual technical superiority that would warrant paying a higher price. See Sparta, Inc., B-228216, Jan. 15, 1988, 88-1 CPD ¶ ____.

We also find nothing improper in the agency's upgrading of the risk assessment of Oneida's offer after submission of best and final offers. Through discussions, the best and final offer process, and the Air Force's reconsideration of Oneida's corporate and personnel experience, Oneida was able to satisfy the agency that its offer was acceptable in those

areas in which it originally was found lacking (that is, the firm possessed the requisite experience and capabilities with respect to certain military standards and computers). There is no evidence supporting the protester's speculation that the Air Force disregarded a significant technical advantage in Systran's proposal in order to take advantage of Oneida's low cost. Rather, the record shows that the source selection official specifically considered the magnitude of the technical difference in the proposals; specifically determined that it resulted primarily from the varying degree of incumbent experience; and specifically determined that Systran's slight technical advantage was not significant and did not outweigh Oneida's 15-percent cost saving.

COST REALISM

Systran maintains that the agency failed to consider in its cost realism analysis (1) the transition costs of Oneida as an inexperienced contractor, i.e. the cost of time it will take new personnel to perform the work efficiently; and (2) Oneida's allegedly unrealistic labor rates. Systran submits its own estimated calculations to show transition costs of up to \$128,000, and maintains that Oneida's labor rates must be unrealistically low because the firm's total cost was approximately \$400,000 lower than the Air Force contract estimate in the RFP. The protester acknowledges that its offer of \$1,119,716 also was below the Air Force's contract estimate (by approximately \$200,000), but maintains that this was understandable due to the efficiencies of cost it had gained through 10 years of incumbent experience.1/

The government's evaluation of estimated costs under a cost reimbursement contract is aimed at determining the extent to which the offeror's estimates represent what the contract should cost, assuming reasonable economy and efficiency. Since an evaluation of this nature necessarily involves the exercise of informed judgment as to what costs actually will be incurred by accepting a particular proposal, the agency clearly is in the best position to make this cost realism determination and, consequently, we will not disturb such a determination absent a showing that it was unreasonable. Informatics General Corp., B-224182, Feb. 2, 1987, 87-1 CPD ¶ 105. We have reviewed the Air Force's cost realism evaluation here in light of Systran's allegations and find that the results reached were reasonable.

1/ The protester also speculates that Oneida may have materially unbalanced its costs. We have reviewed Oneida's proposal in camera, however, and find no unbalancing.

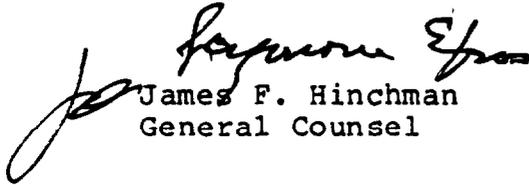
Systran's argument that Oneida's lack of incumbent experience will impact upon the probable cost of accepting the firm's offer is unpersuasive. The Air Force recognized in its evaluation that the difference between Systran's low and Oneida's medium risk assessment was the uncertainty of the time required for Oneida to "come up to speed" to all of the agency's documentation needs. As previously noted, however, the agency estimated that it was within Oneida's technical capability to perform efficiently within 2 months. There is no indication in the record that the evaluators or the contracting officer considered any additional training of Oneida personnel (beyond that provided for by Oneida) necessary for successful performance due to the firm's lack of incumbent experience, and the RFP did not provide for imposition of such training in case of award to other than the incumbent. Indeed, the Air Force's conclusion that Systran's incumbent experience did not represent a material technical advantage suggests that the Air Force apparently did not anticipate a difficult or costly transition. See Sparta, Inc., B-228216, supra.

As for the sufficiency of Oneida's proposed labor rates, in its cost realism analysis, the agency developed its own cost estimate of an offeror's proposal which was based upon input from the Defense Contract Audit Agency (DCAA), as well as information from historical pricing files. The Air Force specifically considered all proposed elements of cost to determine if they were realistic, reasonable, and consistent with the work to be performed as outlined in the offerors' technical proposals. The agency's cost realism analysis of Oneida's offer resulted in cost adjustments in various areas, including redistribution of staffing and the downward adjustment of some labor rates, labor escalation factors, and profit percentage. Oneida's best and final cost, as negotiated, reflected a redistribution of proposed labor hours, with the same labor rates and profit percentage contained in their original proposal, and its final offered labor price actually was approximately \$50,000 more than the Air Force's revised estimate for determining realism.

Moreover, while the protester asserts that its higher labor rates were based on efficiencies gained through its incumbent experience, and implies that any lower labor rates must be unrealistic, the record in fact reveals that a substantial amount of the difference between the two offerors' proposed costs was due, not to Oneida's lower labor rates, but to Systran's higher profit rate (15 percent versus Oneida's 8.5 percent). Systran chose not to reduce this fee in response to the Air Force comments during

discussions that the fee was considered high. We conclude that the Air Force's cost realism analysis was reasonably based.

The protest is denied.


James F. Hinchman
General Counsel