



Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Electronic Warfare Integration Network

File: B-235814

Date: October 16, 1989

DIGEST

Where, in response to a solicitation for a cost reimbursement level of effort contract for technical support services, two of four proposals received were evaluated as technically acceptable, agency's cost realism analysis based on similarity of proposed price and labor mix and consistency with relevant predecessor contract prices was reasonable.

DECISION

Electronic Warfare Integration Network (EWIN), a joint venture, protests the award of a cost-plus-fixed-fee level of effort contract to Comptek Research, Inc., under request for proposals (RFP) No. N00123-88-R-0454. The RFP was issued by the Naval Supply Systems Command for electronic warfare engineering and technical services in support of the Pacific Missile Test Center at Point Mugu, California. EWIN contends that the Navy failed to conduct a proper cost realism analysis of cost proposals.

We deny the protest.

The RFP requested an indefinite quantity (estimated minimum and maximum quantities) contract for 1 base year, four 1-year options, and one 3-month option, under which tasks would be ordered by technical directive letters. According to the evaluation factors for award set forth in Section M of the RFP, technical proposals would be evaluated on a "go/no-go" basis for 12 critical elements and 51 other non-critical elements. Technical proposals were to be evaluated in each area for personnel qualifications, corporate experience and technical approach. Concerning cost proposals, the RFP stated that estimated proposed costs would be evaluated for realism and reasonableness, cost effectiveness, affordability, consistency between proposed

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performance and cost, and the offeror's understanding of the contract requirements, as well as the clarity and documentation of unique or innovative approaches tending to reduce proposed costs. The RFP further stated that the contract:

". . . may be awarded to that responsible offeror submitting a technically acceptable offer and who offers the lowest total cost, cost and other factors considered."

The solicitation also advised offerors of the possibility that award would be made on the basis of initial offers, without discussions.

Four firms submitted proposals in response to the RFP, of which only the Comptek and EWIN proposals were evaluated as "go"--that is, technically acceptable. The Navy states that it regards both technical proposals as "excellent" with each offeror failing to receive a "go" only as to one non-critical element. Comptek's proposed cost, \$66,616,618, was \$182,327 lower than the cost proposed by EWIN, \$66,798,945 (a difference of approximately 0.27 percent). After conducting a cost realism analysis of the two technically acceptable proposals, the Navy awarded the contract, based on initial proposals, to Comptek.

On the basis of information which EWIN states it obtained at a debriefing by the Navy, EWIN filed this protest, alleging that the Navy did not properly evaluate cost proposals in accordance with the cost evaluation criteria set forth in the RFP, but simply awarded the contract to Comptek as the technically acceptable offeror that proposed the lowest cost. The protester argues that Comptek's proposed cost was "very likely" lower only because Comptek used a less expensive labor mix than what will probably be required for the performance of the contract, and that a proper cost analysis would have required an upward adjustment of Comptek's proposed cost, which would have resulted in an award to EWIN as the technically acceptable offeror with the lowest evaluated cost. The protester maintains that, considering the narrow price differential between its offer and that of Comptek, an adequate cost realism analysis should have included an assessment by the technical evaluators of the labor mix proposed by the two competing technically acceptable offerors (1) against the labor mix under the predecessor contract and (2) in light of the requirements of the subject solicitation's statement of work. EWIN further contends that if, as the Navy states, the evaluation of cost proposals did include a comparison of the labor mix proposed by EWIN and Comptek, that comparison must have been inadequate because the contracting officials

who conducted it were not technically competent to make a proper assessment of the proposed labor mixes.

In response to EWIN's objections, the Navy states that it did not simply proceed with award to the lower-cost technically acceptable offeror but performed a cost analysis in which it compared: (1) the labor mix in Comptek's proposal to that proposed by EWIN (and found they were very similar); (2) the labor mix proposed by the two offerors to that under the predecessor contract--a comparison which, although of limited value because of the degree of difference in the requirements of the two contracts, did indicate that both Comptek's and EWIN's proposed costs were realistic, and; (3) the prices offered by these two technically acceptable offerors, the relative similarity of which was considered an indication of the realism of the two offerors' total proposed costs. Thus, consistent with the protester's contentions, the agency's cost analysis did include a comparison of the offerors' proposed labor mix (and its attendant relationship to proposed costs) as well as a comparison to the labor mix under the prior contract.

The agency also obtained, for the purpose of cost evaluation, verification audits from the Defense Contract Audit Agency (DCAA) for Comptek and for the individual members of the EWIN joint venture and EWIN's proposed subcontractors. The agency states, however, that the DCAA audits, which left many costs unexamined, were inconclusive and, therefore, although considered, were not used during the cost evaluation process because the contracting officer was unable to determine whether DCAA would have challenged proposed costs that it did not verify, or what effect a complete audit would have had upon the cost realism analysis.

In making an award determination for a cost reimbursement contract, the contracting agency must perform a cost realism analysis of competing cost proposals, since the government is required to pay the contractor its actual and allowable costs. See Federal Acquisition Regulation (FAR) §§ 15.801, 15.805. The government's evaluation of proposed costs should determine the extent to which an offeror's estimates represent what the contract should cost, assuming reasonable economy and efficiency. Arthur D. Little, Inc., B-229698, Mar. 3, 1988, 88-1 CPD ¶ 225. The evaluation of competing cost proposals requires the exercise of informed judgment by the contracting agency since it is in the best position to assess the realism of cost and technical approaches and must bear the additional expenses and other adverse results of a defective cost analysis. Burns & Roe Indus. Servs. Co., B-233561, Mar. 7, 1989, 89-1 CPD ¶ 250. Because the cost realism analysis is a matter for the informed judgment of

the contracting agency, our review is limited to a determination of whether the agency's cost evaluation was reasonable and not arbitrary. Zeiders Enters., Inc., June 20, 1988, 88-1 CPD ¶ 583.

EWIN's objections to the Navy's cost analysis on the basis that the agency did not give proper consideration to the quality of its labor mix in relation to its higher proposed cost are not supported by the record, which indicates that the labor distribution proposed by Comptek and EWIN was considered in the cost analysis phase of the evaluation and determined to be acceptable. Further, since the necessary qualifications of evaluators and contracting officials is a matter within the discretion of the contracting agency, EWIN's challenge that the contracting officials, who EWIN believes were responsible for the assessment of its cost proposal in light of its proposed labor mix, were not technically qualified to perform that evaluation is without merit. A.B. Dick Co., B-233142, Jan. 31, 1989, 89-1 CPD ¶ 106.

In this connection, we note that EWIN's contention that its proposal is superior to Comptek's with respect to the quality of its proposed labor mix is tantamount to an assertion that its proposal is technically superior to Comptek's, yet EWIN has not specifically challenged the Navy's technical evaluation. In any event, to the extent that EWIN's position essentially constitutes an allegation that its proposal is technically superior, we do not address that question in this protest of the evaluation of cost proposals since the RFP stated that technical proposals would be evaluated on a "go/no-go" basis, and EWIN has not challenged the technical evaluation.

EWIN also objects to the agency's exclusion of the DCAA audit results in conducting the cost analysis, speculating that it would support a conclusion that Comptek's proposed cost was understated. EWIN also suggests that to the extent the DCAA audit left many costs unexamined, DCAA must have had all the necessary data pertaining to its own proposal but not Comptek's. On this basis, EWIN contends that the Navy should have conducted discussions or obtained clarifications of the cost proposals, rather than disregard the audit results, in view of the relative closeness of the costs proposed.

Here, while some DCAA audit information was available to the contracting officer, as to a number of proposed subcontractors--and not just in relation to Comptek as the protester speculates--DCAA either had no rate information or knowledge of the firm or DCAA failed to provide information,

in response to the Navy's request, by the time the evaluation was conducted. The Navy states that the incomplete audit results therefore were of limited utility. Moreover, while DCAA audits in many instances do assist the contracting agency in evaluating proposed costs, they are only advisory in nature, CAO Corp., B-228599.2, July 13, 1988, 88-2 CPD ¶ 42 at 5, and, therefore, are not required for a proper cost analysis. The RFP did not specify any particular manner in which the cost realism determination would be performed. In view of all of the circumstances presented here with respect to the DCAA audit,^{1/} we do not think it was outside the contracting officer's scope of discretion to disregard the audit results.

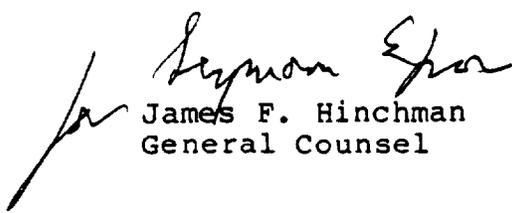
Contracting agencies have broad discretion in determining an acceptable method for evaluating competing cost proposals, provided that inherent in the method used is a reasonable basis for source selection, and that the evaluation is conducted in good faith and in accordance with the criteria in the solicitation. See Zeiders Enter., Inc., B-220261, supra, 88-1 CPD ¶ 583 at 4; GP Taurio, Inc., B-222564, July 22, 1986, 86-2 CPD ¶ 90 at 4. We find that where, for the purpose of evaluating costs proposed for this solicitation in which labor constitutes a substantial portion of the cost of performance, the agency performed comparative evaluations of the labor mix and costs proposed in the two technically acceptable proposals, which were similar in this respect, its cost analysis was reasonable since these considerations, taken together, were within the range of discretion permitted a contracting agency in reaching a reasonable cost realism determination. See Prospective Computer Analysts, B-203095, Sept. 20, 1982, 82-2 CPD ¶ 234 at 5.

Finally, we note that an agency is authorized to award a contract on the basis of initial proposals where the solicitation advises offerors of that possibility and the existence of full and open competition or accurate prior cost experience clearly demonstrates that acceptance of an initial proposal will result in the lowest overall cost to the government. 10 U.S.C. § 2305(b)(4)(A)(ii) (1988); FAR § 15.610(a). As we previously stated, the RFP advised offerors that award might be made based on initial offers. Our review of the record indicates that the Navy reasonably

^{1/} At the informal conference on this protest, the agency observed, and the protester did not dispute, that at the time the subject audit was performed, DCAA had no historical data on record for EWIN, a joint venture which was formed to compete under this solicitation.

concluded that, of the two acceptable offers received, Comptek's was more advantageous to the government. Therefore, its decision to make award without discussions was reasonable.

The protest is denied.

A handwritten signature in cursive script, appearing to read "James F. Hinchman".

James F. Hinchman
General Counsel