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Decision

Matter of: Qwest Government Services, Inc. dba CenturyLink QGS

File: B-407835

Date: March 7, 2013

Thomas O. Mason, Esq., Francis E. Purcell, Jr., Esq., and Christopher J. Kimball, Esq., Cooley LLP, for the protester.

Sheryl L. Rakestraw, Esq., and Alexander W. Fichtel, Esq., Department of the Interior, for the agency.

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DIGEST

Protest that terms of solicitation for cloud computing services are ambiguous and do not adequately communicate the agency's requirements is denied where solicitation provides sufficient information on which offerors can compete intelligently and on a relatively equal basis.

DECISION

Qwest Government Services, Inc. dba CenturyLink QGS, of Arlington, Virginia, protests the terms of request for proposals (RFP) No. D12PS00316, issued by the Department of the Interior (DOI) for cloud hosting services.

We deny the protest.

BACKGROUND

DOI issued the RFP on July 18, 2012, under the commercial acquisition procedures of Federal Acquisition Regulation (FAR) Part 12 for foundation cloud hosting services to implement the agency's Strategic Information Technology Transformation program.¹ Agency Report (AR), Tab 13, Acquisition Plan, at 1-2.

¹ Cloud computing can "be described as a form of computing where users have access to scalable, on-demand information technology (IT) capabilities that are provided through Internet-based technologies." See Information Security: Additional
(continued...)

The solicitation states that DOI's program was designed to align with the cloud-first policy stated in the United States Chief Information Officer's December 9, 2010, "25 point Implementation Plan to Reform Federal [Information Technology Management.]" Id. at 2.

On March 2, 2012, prior to issuing the RFP, DOI released a request for information (RFI) seeking to identify market capabilities and best industry practices pertaining to data center consolidation and application hosting. AR, Tab 9, RFI, at 2. The agency received 26 industry responses, from which DOI concluded that cloud-based services were available commercially. Contracting Officer's Statement at 2, 5. The agency also concluded that its acquisition objective was

to provide a contract vehicle that can scale to meet emerging capacity needs of DOI customers, and that offers metered services at a selected catalog service level, with a specified set of optional characteristic, at a Fixed Price (FP) per Unit of Service (UoS).

AR, Tab 13. Acquisition Plan, at 1.

The RFP provides for the award of one or more indefinite-delivery/indefinite-quantity (ID/IQ), fixed-price per unit of service contracts for specified service lines for a 3-year base period, three 2-year option periods, and a 1-year option period.² RFP amend. 2, at B-2-B-3. The following cloud-based technical service lines were identified:

- (1) Storage services
- (2) Secure file transfer services
- (3) Virtual machine services
- (4) Database hosting services
- (5) Web hosting services
- (6) Development and test environment hosting services
- (7) SAP application hosting services (in support of DOI's Financial Business Management System).³

(...continued)

Guidance Needed to Access Cloud Computing Concerns, GAO-12-130T, Oct. 6, 2011, at 1.

² The RFP identifies \$5 thousand as the guaranteed minimum and \$1 billion as the maximum amount of services that will be purchased. RFP amend. 2, at B-3.

³ SAP AG is a German company that provides enterprise software and software-related services.

RFP at C-1. Contracts could be awarded for all of the services lines, or individual services lines, or any combination of services lines. RFP at L-1. The RFP also states that DOI was in the process of obtaining approval to allow task orders to be issued by other government agencies. RFP, amend. 8, at B-1.

The RFP states that award will be made on a best value basis, considering the following factors: technical, business management, and price. RFP amend. 2, at M-4. The RFP states that the technical factor is more important than the business management factor and that both non-price factors, combined, are significantly more important than price. RFP at M-1. The technical factor consists of the following equally-weighted subfactors: (1) service delivery, management and technical approach; (2) usability and functionality; (3) information security and regulatory compliance approach; and (5) organizational experience. RFP amend. 2, at M-4-M-8. The RFP describes what is to be evaluated for each factor and subfactor. For example, under the service delivery, management and technical approach subfactor, the RFP states that the agency will evaluate an offeror's overall service delivery, management, and technical approach to meeting the requirements and that the agency will evaluate an offeror's "Proposed Service Level Agreements." See RFP amend. 2, at M-4. The solicitation informs offerors that DOI reserves the right to make awards without conducting discussions. RFP at M-1.

With respect to price, the RFP provides that the agency will evaluate the reasonableness and realism of proposed prices. In this regard, the RFP states that the agency may

evaluate any potential risk(s) by performing a sensitivity analysis based on the proposed solution. This analysis may be used to identify and analyze the overall costs associated with any life cycle expenses the Government would potentially incur as they relate to the proposed solutions for this contract. Any significant risk to the Government resulting from the sensitivity analysis may be reflected in the cost/price analysis. Cost/price risk refers to any aspect of an Offeror's proposal which could have significant negative cost consequences for the Government. Where risk is assessed it may be described in qualitative terms and/or used as a best-value discriminator.

RFP amend. 2, at M-8.

The solicitation states that offerors should provide their fixed prices per unit of service for each of the seven technical service lines that an offeror identifies as "in

scope” on its scope of offer matrix.⁴ See RFP amend. 2, at B-2. In this regard, the RFP provides, as attachments, statements of work for “Day 1” task orders and representative use cases that offerors were to use in preparing their proposals and providing their fixed prices per unit of service.⁵ RFP, attachs. 6-8 (Day 1 Task Orders), and 9-12 (Representative Use Cases). The RFP also provides pricing worksheets for storage and virtual machine hosting services. See id., attachs. 37-44. The RFP states that for database hosting, secure file transfer, web hosting and applications hosting services, offerors should provide their standard pricing structure and formats and clearly identify their units of service for each operating system supported. RFP amend. 2, at B-2. The solicitation states that the Day 1 task orders and representative use cases will be included in the agency’s overall evaluation under each factor and separately to determine the best value selections for the award of ID/IQ contracts.⁶ RFP amend. 2, at M-4.

The representative use cases are sample tasks, for which the agency identified requirements for evaluation purposes only. For example, the representative use case for virtual machine hosting services states that the requirements identified in the use case are “for proposal preparation and evaluation purposes only. They do not constitute a commitment to purchase services.” RFP, amend. 4, attach. 10, Representative Use Case for Virtual Machine Hosting Services, at 1. With respect to this use case, the solicitation states that offerors should provide fixed prices per unit of service for providing cloud-based virtual machine services in support of data center consolidation transition support and new application implementation

⁴ The RFP provides a template for the scope of offer matrix, see RFP, attach. 17, Scope of Offer Matrix, and informs offerors that the agency will evaluate the matrix to understand the offeror’s responses with respect to each service line. RFP at L-15. The RFP also states that the “matrix will be utilized in order to group all proposals within the same service area being offered.” Id.

⁵ One Day 1 task order is for SAP application hosting services. The other Day 1 task order is for a combination of development and test environment services and web hosting services for the United States Geological Survey publication library. The representative use cases cover the remaining four services lines: storage services; virtual machine services; database hosting services; and secure file transfer services.

⁶ The Day 1 task order for SAP hosting is to be issued on a best value basis, considering factors identified in the attachment. See RFP amend. 2, attach. 6, Performance Work Statement for SAP Application Hosting, at 24-25. The other Day 1 task order for development and test environment services and for web hosting services for the United States Geological Survey publication library are to be issued on a low price, technically acceptable basis. See RFP amend. 2, attach. 7, Development and Test Environment Services, at J-7-7; attach. 8, Web Hosting Services, at J-8-7.

requirements for the term of the contract (that is, 10 years) for a capacity not to exceed 6,000 concurrent virtual machines. Id.

For evaluation purposes, the virtual machine use case identifies various levels of demand for virtual machines by category and size. It also provides for storage services for the virtual machines, and identifies four storage classes that are based upon throughput and availability. For example, class A is identified as having a throughput of 8 gigabytes per second (gbps) with 100 percent availability. RFP, attach. 10, Representative Use Case for Virtual Machine Hosting Services, at 3. The use case states that offerors should assume the following distribution based upon total volume stored:

Class A	40 percent
Class B	40 percent
Class C	30 percent
Class D	0 percent

RFP amend. 4, attach. 10, Representative Use Case for Virtual Machine Hosting Services, at 4. The use case does not otherwise identify an estimated amount of storage that offerors should use in their proposals. The use case, however, does state that for purposes of preparing offers, vendors were to assume that only Windows, Linux and Unix operating systems are in scope and that the distribution of demand for operating systems are as follows:

Windows Server	70 percent
Unix Server	10 percent
Linux Server	20 percent

Id. at 2.

The virtual machine hosting services use case also provides, for evaluation purposes, a “ramp-up of demand” for virtual servers that identifies a range of demand for each contract period. For example, this demand summary states that for the 3-year base period the offerors should assume the following yearly ranges of demand: 2013, 100 to 500 units; 2014, 500 to 1,000 units; and 2015, 1,000 to 3,000 units. This demand summary also indicates that the maximum number of virtual servers is 7,000 units, and not the 6,000 units otherwise indicated in the use case. See RFP amend. 4, attach. 10, Representative Use Case for Virtual Machine Hosting Services, at 4.

Storage requirements are also specified under the representative use case for database hosting services for which the use case requests fixed prices per unit of service. See RFP amends. 2, 3, attach. 11, Representative Use Case for Database Hosting Services, at 3-4. Like the representative use case for virtual machine hosting services, this use case identifies the same four storage classes, percentage

distribution, and distribution demand for operating systems, without identifying storage capacity by volume.

The database hosting services use case also provides, for evaluation purposes, a “ramp-up of demand” for database hosting instances for the 3-year base period as follows: 2013, 25 to 100 units; 2014, 100 to 250 units; and 2015, 250 to 750 units. RFP amend. 4, attach.11, Representative Use Case for Database Hosting Services, at 2.

For the virtual machine and database hosting services use cases, offerors were required to submit pricing for the “from and to” quantities for the base period and subsequent option periods. RFP, amend. 3, at M-9.

The RFP also requires offerors to complete a pricing matrix for storage classes. See RFP, attach. 43, Storage Classes Pricing Matrix. This matrix requests that offerors identify, among other things, their minimum billing increment, units of service (volume per period of time), and volume pricing thresholds in gigabytes per month. Id. The pricing matrix requests that offerors identify their own minimum billing increments and units of service, which the matrix defines as “volume per period of time,” and their cost per unit of storage for each storage class, specifying the offeror’s own volume breaks. Id.

Attached to the RFP is a draft ordering guide. See RFP, attach. 45, Foundation Cloud Hosting Services Ordering Guide 2012, version 1.0. In pertinent part, this guide states that

contract holders were required to provide detailed pricing for explicitly defined, standard services, so DOI and other [Acquisition Services Directorate] customers can easily compare pricing for service across contract holders. Additional discounts may also be requested and obtained at the order level. Pricing must be either at or below the contractor’s IDIQ contract price. However, if the provider’s services that are within the scope of this IDIQ contract(s) [are] offered on another contract, such as [General Services Administration] Federal Supply Schedule vehicles, with lower pricing[,] they may offer that pricing.

Id. at 1.

On November 16, prior to the closing date for receipt of proposals, CenturyLink filed an agency-level protest objecting to the solicitation’s terms. DOI did not delay receiving proposals, and on November 29 CenturyLink timely protested to our Office.

DISCUSSION

The protester raises a number of objections to the terms of the solicitation, arguing among other things, that the solicitation fails to adequately set out the agency's requirements and to provide sufficient information to allow offerors to intelligently and equally prepare their proposals. In this regard, CenturyLink complains that the solicitation fails to describe the agency's requirements regarding the percentage allocation of storage classes, fails to identify a total storage volume requirement or a baseline for determining what total storage volumes were to apply to the storage class percentages, and fails to provide specific parameters for use case and bundled pricing. Protest at 13.

DOI contends that the RFP provided sufficient information to allow offerors to intelligently prepare their proposals and to allow the agency to evaluate those proposals on an equal basis. See AR at 5; Contracting Officer's Statement at 6. The agency states that the representative use cases contain assumptions for the virtual machine and database hosting service lines which provides the projected consumption volumes, resources, service levels and optional features for proposal preparation and evaluation purposes only. Contracting Officer's Statement at 8. The agency maintains that the RFP attachments contain information pertaining to the capacity/volume, range of current virtual machines and concurrent database hosting instances based on resource demand for each period of performance, distribution of demand, as well as storage class resources. Id. The agency further states that the RFP provides minimum configuration requirements and proposed storage classes, which represent the minimum requirements. Id. In this regard, the agency states that it received "significant responses from industry for this acquisition within each of the technical service line requirements," which DOI suggests shows that the RFP provided sufficient information for the preparation of proposals. Id. at 6.

With respect to CenturyLink's specific objections to the failure of the agency to adequately identify storage requirements under the representative use cases for virtual machine hosting services and for database hosting services, the agency contends that the RFP adequately sets out the agency's requirements and provides sufficient information to calculate storage by giving the assumed distribution of the operating systems. That is, according to DOI, offerors were to prepare their proposals for these use cases by "distribut[ing] the total volume of storage as indicated, using a baseline of 110%." AR at 5. The agency also notes that the storage volume is specifically provided with respect to the representative use case for storage services.

Generally, a contracting agency must provide offerors with sufficient detail in a solicitation to enable them to compete intelligently and on a relatively equal basis. AirTrak Travel et al., B-292101 et al., June 30, 2003, 2003 CPD ¶ 117 at 12-13. There is no requirement that a competition be based on specifications drafted in

such detail as to completely eliminate all risk or remove every uncertainty from the mind of every prospective offeror; to the contrary, an agency may provide for a competition that imposes maximum risks on the contractor and minimum burdens on the agency, provided the solicitation contains sufficient information for offerors to compete intelligently and on equal terms. CW Gov't Travel, Inc.--Recon.; CW Gov't Travel, Inc., et al., B-295530.2 et al., July 25, 2005, 2005 CPD ¶ 139 at 7.

We find here that the RFP provides sufficient information to allow offerors to intelligently prepare their proposals and to allow the agency to fairly and equally evaluate those proposals.

The protester argues that the solicitation fails to provide a total storage volume requirement to apply the storage class percentages. Protest at 12. The protester also argues that the use case scenarios provide insufficient information and direction to enable offerors to compete on a relatively equal basis. Comments at 9.

We do not agree. This is a commercial item procurement where vendors are asked to propose their commercially available solution which best satisfies the agency's requirements and use their commercial pricing models to provide a pricing per unit of service. As indicated above, as part of the cloud-based services sought by these use cases, offerors are required to provide for data storage. See RFP, attach. 10, Representative Use Case for Virtual Machine Hosting Services, at 3-4; attach. 11, Representative Use Case for Database Hosting Services, at 3-4. The RFP specifically provided the storage volume for the representative use case for storage services.

With respect to the virtual machines and database host services use cases, the RFP provides sufficient details for offerors to determine the storage volume requirements. The RFP provides the specific percentage of distribution of each operating system covered by the virtual machine and database hosting services use cases which would allow offerors to determine the storage capacity required for each operating system being supported based on each offeror's technical solution. The RFP also provides the capacity/volume range of current virtual machines and concurrent database hosting instances based on resource demands for each period of performance. We find that the RFP provided sufficient information for offerors to submit proposals and for the agency to evaluate and compare proposals.

We also find that the RFP provides an adequate basis for evaluating offerors' proposed prices. As described above, the RFP requires offerors to provide fixed prices per unit of service for each of the technical service lines and for each of the representative use cases. For evaluation purposes only, offerors were to use all the data provided concerning the agency's requirement in the representative use cases and using their commercial pricing models develop a fixed price per unit of service that would be used in determining their overall price for their proposed solutions.

Agencies are required to consider cost or price to the government in evaluating competitive proposals. 41 U.S.C. § 3306(c)(1)(B) (2011); see Kathpal Tech., Inc.; Computer & Hi-Tech Mgmt., Inc., B-283137.3 et al., Dec. 30, 1999, 2000 CPD ¶ 6 at 9. While it is up to the agency to decide upon some appropriate, reasonable method for proposal evaluation, the method chosen must include some reasonable basis for evaluating or comparing the relative costs of proposals, so as to establish whether one offeror's proposal would be more or less costly than another's. See Aalco Forwarding, Inc., et al., B-277241.15, Mar. 11, 1998, 98-1 CPD ¶ 87 at 11. Where estimates are not reasonably available, an agency may establish a notional estimate, consistent with the RFP requirements, to provide a common basis for comparing the relative costs of the proposals. See High-Point Schaer, B-242616, B-242616.2, May 28, 1991, 91-1 CPD ¶ 509 at 6-8.

Here, the solicitation includes pricing matrixes that offerors can use in pricing the representative use cases that included details about the agency's requirement. Given the details provided with respect to the representative use cases, we believe the solicitation provides sufficient information to allow a common basis for evaluating offerors' proposed prices.

Other Issues

CenturyLink raises a number of other challenges to the adequacy of the solicitation's terms, which we find to be without merit. For example, the protester complains that the evaluation criteria are ambiguous or incomplete, arguing that the RFP announces basic principles upon which the agency will evaluate proposals, but does not provide any specificity to guide the offerors in the preparation of their proposals. See Protest at 10-11. In our view, as stated above, the RFP provides reasonable definite information about evaluation factors and their relative importance.

In this regard, the protester complains that the RFP provides for sensitivity analysis of price/cost proposals but does not explain what a sensitivity analysis is, the elements of proposals to be analyzed, or the relative importance of the sensitivity analysis. The RFP informs offerors, however, that the sensitivity analysis will be part of the agency's price realism evaluation and that it may be used to analyze any costs associated with life cycle expenses the agency might incur based on the selection of a particular technical solution. See RFP at M-8. The RFP further states that the government reserved the right to make any adjustment in costs, for evaluation purposes, in order to assess the overall cost to the government depending on the outcome of the sensitivity analysis based on the proposed solution.

Lastly, the protester contends that in selecting a fixed-price contract type, the agency failed to give meaningful consideration to the risks associated with the solicitation requirements and the allocation of those risks to offerors. Protest at 16.

In its report to our Office, the agency states that the intent of the solicitation is to award an ID/IQ fixed-price per “unit of service” type vehicle which will allow for the issuance of task orders that can be either fixed-price or time-and-materials using the fixed-price per unit-of-service rates contained within the ID/IQ contract. Contracting Officer’s Statement at 18. The agency maintains that through its market research it has determined that this acquisition strategy best satisfies its needs.

Selecting the appropriate contract type is the responsibility of the contracting officer, as informed by obtaining the recommendations of technical personnel. FAR 35.0006(b). The contracting officer’s decision, as with any other exercise of discretion, must have a reasonable basis. Surface Tech. Corp., B-288317, Aug. 22, 2001, 2001 CPD ¶ 147 at 3. The mere presence of risk in a solicitation does not make the solicitation inappropriate or improper. It is within the administrative discretion of an agency to offer for competition a proposed contract that imposes maximum risks on the contractor and minimum burden on the agency, and an offeror should account for this in formulating its proposal. JRS Mgmt., B-402650.2, June 25, 2010, 2010 CPD ¶ 147 at 5. Risk is inherent in most type of contracts, especially fixed-price contracts, and firms must use their professional expertise and business judgment in anticipating a variety of influences affecting performance costs. JRS Mgmt., supra. While we appreciate that the solicitation here imposes risk on the contractor by requiring fixed prices, we do not find, on the record before us, that the solicitation exposes offerors to unacceptable or undue risk.

The protest is denied.

Susan A. Poling
General Counsel