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## Decision

**Matter of:** CenterScope Technologies, Inc.

**File:** B-411293; B-411293.2

**Date:** July 8, 2015

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James W. Hundley, Esq., and Meagan E. Roach, Esq., BrigliaHundley P.C., for Ausley Associates, Inc., the intervenor.  
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Charles W. Morrow, Esq., and Jonathan L. Kang, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

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### DIGEST

Protest challenging the agency's evaluation of the awardee's proposal due to an alleged inconsistency between the technical and cost volumes with regard to staffing is denied where the awardee's proposal did not contain an inconsistency with regard to how it intended to staff the contract.

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### DECISION

CenterScope Technologies, Inc., of McLean, Virginia, protests the award of a task order to Ausley Associates, Inc. (AAI), of Lexington Park, Maryland, under request for proposals (RFP) No. N00024-14-R-3026, issued by the Department of the Navy, Naval Air Systems Command, Naval Air Warfare Center Aircraft Division, for program management support services for the agency's F/A-18 and E/A-18 program office (PMA-265). CenterScope argues that the award was flawed because the agency unreasonably evaluated the awardee's technical and cost proposals.

We deny the protest.

### BACKGROUND

The Navy's PMA-265 office provides support services, including development, production and sustainment, for the agency's F/A-18 C/D Hornet, F/A-18 E/F Super

Hornet, and EA-18G Growler aircraft. See RFP at 8. The RFP was issued on July 15, 2014, as a total small business set aside, to provide support services, including program management, strategic planning, acquisition documentation, engineering, requirements and data analysis. Id. at 8-9; Agency Report (AR) at 2. The competition was limited to contract holders under the Navy's SeaPort-e indefinite delivery/indefinite quantity (ID/IQ) multiple award contract. The RFP contemplated the award of a task order that included cost-plus-fixed-fee line items for labor and cost-reimbursable line items for other direct costs.<sup>1</sup> RFP, amend. No. 1, at 2.

The RFP provided for award on a best-value basis considering three evaluation factors: (1) technical, (2) past performance, and (3) cost/price. RFP at 97-98. The technical factor had two subfactors, listed in descending order of importance: (a) understanding and approach and (b) staffing and personnel. For purposes of award, the technical factor was more important than the past performance factor, and the technical and past performance factors, together, were "significantly more important" than cost/price. Id. at 98.

As relevant here, the RFP stated that the agency would evaluate the realism of an offeror's proposed costs to determine if the overall costs proposed were realistic for the work to be performed. Id. at 99. The RFP stated that the agency would evaluate whether an offeror's proposed labor categories and hours matched the labor hours and categories required by section L-3 of the RFP, and further advised that any deviation from the labor categories and hours specified in that section would render the proposal unawardable. Id. Offerors were advised that the agency would use relevant cost information, including but not limited to payroll verification, contingent offer letters, and Defense Contract Audit Agency (DCAA) recommended indirect rates to determine the offeror's most probable cost. Id. The RFP also stated that the agency would attribute a higher level of confidence, for realism purposes, where offerors named specific proposed employees. Id. Finally, the RFP stated that unrealistically low costs, or inconsistencies between the technical and cost proposals, may be assessed as proposal risk and could be considered weaknesses under the technical factor. Id. at 100.

Ten offerors, including CenterScope and AAI, responded to the RFP by the closing date of July 28, 2014. A technical evaluation team (TET) evaluated each offeror's proposal under the technical and past performance factors.<sup>2</sup> A cost evaluation

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<sup>1</sup> The awarded value of the task order at issue exceeds \$10 million. Accordingly, this procurement is within our jurisdiction to hear protests related to the issuance of multiple-award IDIQ contracts. 10 U.S.C. § 2304c(e)(1)(B).

<sup>2</sup> The technical risk rating categories were outstanding, good, acceptable, marginal, and unacceptable. The past performance rating categories were substantial confidence, satisfactory confidence, limited confidence, no confidence, and unknown confidence/neutral. RFP at 103-104.

team (CET) evaluated the cost elements of each proposal, including proposed labor costs, labor categories, and labor rates. The evaluation results pertinent here were as follows:

	<b>CENTERSCOPE</b>	<b>AAI</b>
<b>Technical</b>	Outstanding	Outstanding
Understanding and Approach	Outstanding	Outstanding
Staffing and Personnel	Good	Good
<b>Past Performance</b>	Satisfactory Confidence	Satisfactory Confidence
<b>Total Proposed Cost/Price</b>	\$23,121,507	\$22,817,984
<b>Total Evaluated Cost/Price</b>	\$29,291,329	\$23,333,007
<b>Total Evaluated Cost/Price with Option to Extend</b>	\$32,115,065	\$25,531,172

See AR, Tab 9, Source Selection Authority Decision Memorandum, (SSADM), at 3.

For cost realism purposes, the CET upwardly adjusted CenterScope’s proposed costs by \$6,169,822, because the protester proposed labor rates for CenterScope and its proposed subcontractor Wyle Laboratories, Inc., the incumbent contractor, that were lower than those firms’ current payroll verified rates.<sup>3</sup> See AR, Tab 6, Cost Analysis/Realism Report, at 1 n.2. The CET concluded that neither CenterScope, nor Wyle, provided adequate justification to support lowering the labor rates of current employees, such as verification that these employees agreed to a reduction in their labor rates. Id. at 3, 5.

Based on an independent assessment of the proposals, the source selection authority (SSA) concluded that AAI’s proposal represented the best value to the government. AR, Tab 9, SSADM, at 8. The SSA found that CenterScope’s and AAI’s proposals were essentially equal under the non-cost/price factors. Id. at 9-10. Because the SSA found that CenterScope’s proposal did not provide notable strengths and benefits that warranted paying a price premium of 25.53 percent, the SSA concluded that AAI’s lower-cost proposal represented the best value, considering all factors. Id. at 9-10. The SSA also noted that CenterScope did not propose the requisite labor hours required by the RFP in section L. In light of this defect, the SSA also concluded that CenterScope’s proposal was unawardable. Id. at 10. The agency awarded the contract to AAI on March 11, 2015. The agency provided CenterScope a debriefing, and this protest followed.

<sup>3</sup> The figures also reflected an upward adjustment to CenterScope’s G&A (general and administrative) rate consistent with its historical rates.

## DISCUSSION

CenterScope contends that the Navy conducted a flawed technical and cost evaluation of AAI's proposal due to an inconsistency in the technical and cost volumes of its proposal with regard to staffing. Specifically, CenterScope argues that AAI's approach to staffing the contract in the technical volume was based on hiring 100 percent of the incumbent personnel performing the contract; yet, the cost volume of AAI's proposal failed to include any labor rates associated with hiring incumbent employees. CenterScope contends that the Navy's failure to recognize and account for this inconsistency resulted in a flawed technical and cost evaluation, and best-value tradeoff decision.<sup>4</sup> The protester argues that this error required the agency to either reject the awardee's proposal, or to open discussions to allow the awardee to resolve the inconsistency. Opening discussions with the awardee, the protester contends, would have required the agency to open discussions with the protester wherein it could have revised its proposal. The protester also contends that the proposals were disparately treated because the agency did not upwardly adjust AAI's proposed labor rates to the rates of the employees on the incumbent contract. For the reasons discussed below, we find no basis to sustain the protest.<sup>5</sup>

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<sup>4</sup> CenterScope also raised additional issues regarding the agency's evaluation of proposals and award decision. Specifically, the protester argued that the Navy unreasonably concluded that CenterScope's proposal was unawardable; that the Navy's flawed evaluation of CenterScope's staffing approach resulted in an unjustified upward cost-realism adjustment; that the Navy deviated from the RFP requirements for relevance and otherwise misevaluated the comprehensive past performance of CenterScope and AAI; and that the Navy relied on insufficient and erroneous information to inappropriately downgrade CenterScope's past performance rating. CenterScope did not address these issues in its comments on the agency report. The protester subsequently confirmed that it abandoned its arguments regarding past performance, and that its remaining arguments concerning the evaluation of the offerors' technical and cost proposals was based solely on the issues concerning the alleged inconsistency regarding AAI's proposed use of incumbent personnel. See Protester's Comments (May 19, 2015) at 2. We therefore do not address these issues further. In addition, the protester raises other collateral arguments regarding the issues addressed herein. Although we do not address every argument raised by the protester, we have reviewed them all and find no basis to sustain the protest.

<sup>5</sup> As noted above, the agency concluded that CenterScope's proposal was "unawardable," because it failed to propose the correct number of labor hours. AR, Tab 9, SSADM, at 10. The protester initially argued that the agency waived this issue by considering its proposal for award. Protest at 23. We also note that the Navy's report on the protest did not specifically argue that the protester was not an  
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In reviewing protests challenging an agency's evaluation of proposals, our Office does not independently evaluate proposals; rather, we review the evaluation to ensure that it is reasonable and consistent with the terms of the solicitation and applicable statutes and regulations. SOS Int'l Ltd., B-402558.3, B-402558.9, June 3, 2010, 2010 CPD ¶ 131 at 2. When an agency evaluates a proposal for the award of a cost-reimbursement contract, an offeror's proposed costs are not dispositive because, regardless of the costs proposed, the government is bound to pay the contractor its actual and allowable costs. Federal Acquisition Regulation (FAR) §§ 15.305(a)(1), 15.404-1(d); Palmetto GBA, LLC, B-298962, B-298962.2, Jan. 16, 2007, 2007 CPD ¶ 25 at 7.<sup>6</sup> Consequently, the agency must perform a cost realism analysis to determine the extent to which an offeror's proposed costs are realistic for the work to be performed. FAR § 15.404-1(d)(1). An agency is not required to conduct an in-depth cost analysis, or to verify each and every item in assessing cost realism; rather, the evaluation requires the exercise of informed judgment by the contracting agency. FAR § 15.404-1(c); Cascade Gen., Inc., B-283872, Jan. 18, 2000, 2000 CPD ¶ 14 at 8. Further, an agency's cost realism analysis need not achieve scientific certainty; rather, the methodology employed must be reasonably adequate and provide some measure of confidence that the rates proposed are reasonable and realistic in view of other cost information reasonably available to the agency as of the time of its evaluation. SGT, Inc.,

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interested party to challenge the award to AAI, based on this unacceptability. See AR at 18-20; see also Bid Protest Regulations at 4 C.F.R. § 21.0(a)(1). Instead, the agency appears to agree that it "waived" the unacceptability issue and considered the protester eligible for award. See AR at 19-20. Apparently based on the agency's statement, the protester abandoned this issue. See Protester's Comments (May 19, 2015) at 2. In any event, as discussed herein, the protester argues that the awardee's proposal contains a material inconsistency that requires the agency to open discussions to resolve. Additionally, the agency redacted information in its report on the protest concerning whether other offerors were in line for award ahead of the protester. Therefore, regardless of whether the agency waived the defect in CenterScope's proposal, we conclude that the protester is an interested party to challenge the award to AAI. See Bid Protest Regulations at 4 C.F.R. § 21.0(a)(1); Armed Forces Merch. Outlet, Inc., B-294281, Oct. 12, 2004, 2004 CPD ¶ 218 at 5.

<sup>6</sup> This procurement concerns the issuance of a task order under an ID/IQ contract, which is governed by the provisions of FAR subpart 16.5. Where, as here, the agency issues a solicitation that provides for the evaluation of cost realism, our Office evaluates agencies' cost realism evaluations under the provisions of FAR part 15. See CACI Techs., Inc., B-409147, B-409147.2, Jan. 27, 2014, 2014 CPD ¶ 44 at 4 n.4.

B-294722.4, July 28, 2005, 2005 CPD ¶ 151 at 7. Our review of an agency's cost realism evaluation is limited to determining whether the cost analysis is reasonably based and not arbitrary. Jacobs COGEMA, LLC, B-290125.2, B-290125.3, Dec. 18, 2002, 2003 CPD ¶ 16 at 26.

Here, AAI proposed to staff the contract with 72 percent current AAI employees, 17 percent contingent hires,<sup>7</sup> and 11 percent prospective hires. See AR, Tab 14, AAI Proposal, Vol. II-Technical, at 6-7. Because AAI's approach to staffing the contract was based on staffing the majority of the contract with current AAI employees, the TET considered AAI's staffing approach to be a low risk, finding that its approach would help reduce technical and performance risk, which resulted in the TET assigning a good rating to the proposal, as noted above. See AR, Tab 4, TET Evaluation Report, at 21. In this respect, AAI's cost volume identified the names, qualifications, and proposed labor rates for its proposed personnel. See AR, Tab 14, AAI Proposal, Vol. IV-Cost, Attach. 3. With the exception of two positions, the CET concluded that AAI's labor rates for its current employees and contingent hires were consistent with the rates that AAI had proposed for the contract, based on payroll verification records, and letters of commitment.<sup>8</sup> See AR, Tab 5, Cost/Cost Realism Analysis, at 3.

CenterScope also proposed to staff the contract with a mix of current employees, contingent hires, and prospective hires. See AR, Tab 15, CenterScope Proposal, Vol. 2-Technical, at 28-34. The CET noted that the protester proposed staff that was in part comprised of its own staff, as well as staff from its subcontractor Wyle, the firm that was currently performing the incumbent contract. See AR, Tab 6, Cost Analysis/Cost Realism Analysis, at 3-4. As discussed above, the CET found that the payroll records provided by CenterScope and Wyle were not consistent with the labor rates currently being paid to these employees. Id. This led the CET to upwardly adjust CenterScope's labor rates for purposes of cost realism. See id. at 1.

CenterScope argues that the Navy's evaluation of AAI's technical and cost proposals was flawed because the agency failed to evaluate whether the awardee's proposed labor rates for incumbent contract staff was realistic. In this regard, the protester argues that while the agency adjusted its own proposed labor rates because they were lower than the labor rates currently paid to its staff and its proposed subcontractor's staff, the agency failed to do the same for AAI's proposed

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<sup>7</sup> AAI's proposal included letters of commitment for its proposed contingent hires. See AR, Tab 14, AAI Proposal, Vol. IV-Cost, Attach. 4.

<sup>8</sup> The CET adjusted AAI's labor rates upward by \$515,022 for a program analyst and a program manager position. AR, Tab 5, Cost Analysis/Cost Realism Analysis, at 3-4.

rates by adjusting them to the rates paid to staff on the incumbent contract. Additionally, the protester contends that the agency's failure to adjust AAI's proposed rates demonstrates that the agency failed to recognize what the protester contends was an inconsistency in the awardee's proposal regarding its anticipated hiring of incumbent contract staff. The protester cites the following portions of the awardee's proposal:

#### 2.2.2.5 Recruiting and Hiring

[P]art of Team Ausley's risk reduction effort for this proposal was identifying workforce needed areas with difficult skill sets to match, and capturing them early. The Foreign Disclosure team was identified in this way, and Team Ausley moved quickly to secure established foreign disclosure personnel while maintaining the ability to offer first-right-of-refusal to incumbent staff, mitigating a potential hiring risk area.

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In addition upon award, Team Ausley will work with PMA265, the incumbent contractors, and selected individuals--as possible--to retain current personnel considered essential on the assignment.

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#### 2.2.2.7 Transition & Execution

##### Transition Team

Ensuring continuity of operations and maintaining service levels during contract transition is critical, and Team Ausley recognizes the management challenges of transitioning portions of an existing contract from an incumbent contractor. Three factors in particular can impact a smooth contract transition:

1. Reducing the anxiety of transitioning the incumbent workforce during the transition period.

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##### Transitioning the Incumbent Workforce

Hiring incumbent personnel is an important transition activity and Team Ausley knows PMA265 will want to maintain certain crucial personnel as part of its staff. The objective of our incumbent plan is to

hire 100% of the qualified and available incumbent technical workforce.

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Ausley has a plan in place for rapidly incorporating the incumbent workforce into our team. Team Ausley will work with PMA265, the incumbent contractor, and the individuals themselves to retain personnel considered essential on the assignment.

AR, Tab 14, AAI Proposal, Vol. II-Technical, at 7, 11, 13.

In essence, CenterScope argues that although AAI proposed to staff the contract with 89 percent current staff and contingent hires, the awardee's proposal also stated that it intends to "hire 100% of the qualified and available incumbent technical workforce." Id. at 13. The protester contends that this language in the proposal meant the awardee committed to hiring all the incumbent employees. The protester argues that the agency's evaluation failed to account for this discrepancy, and that the agency should have found the awardee's proposal to contain a contradiction that precluded award. The protester further contends that the agency was required to open discussions to address this matter. The protester also argues that the agency treated the offerors in a disparate manner because the agency failed to evaluate whether the awardee's proposed labor rates for incumbent hires were realistic, and failed to upwardly adjust AAI's costs to the higher rates currently being paid to these employees under the incumbent contract.

Based on our review of the record, we find no merit to the protester's contention that AAI's proposal contained an inconsistency between its technical approach and costs with regard to staffing. Although AAI's proposal included the above quoted language, we do not believe that the protester's interpretation of the awardee's proposal is reasonable. In our view, AAI's proposal, when read as a whole, only provided for the potential hiring of incumbent staff that the Navy considered essential for performance of the contract.

As discussed above, the record reflects that AAI's proposal identified the names, qualifications, and proposed rates for its proposed staffing of current AAI employees, including contingent hires, and contemplated a staff composed of only 11 percent prospective hires. See AR, Tab 14, AAI Proposal, Vol. IV-Cost, Attach. 3. The awardee's proposal, however, did not state that AAI intends to hire only incumbent staff for those prospective hires. Moreover, the language above concerning the hiring of 100 percent of the incumbent staff relates to those incumbent employees that were qualified, available, and that the Navy determined were essential for performing the contract. See AR, Tab 14, AAI Proposal, Vol. II-Technical, at 7, 11, 13. We think interpreting the above language in AAI's proposal to mean that the awardee intended to staff the contract with 100 percent of the



incumbent staff would render meaningless other express language in the proposal providing that AAI's staffing would be based on 72 percent current AAI employees and 17 percent contingent hires, and the cost proposal which was consistent with this approach.<sup>9</sup> It also would render meaningless the statements in AAI's proposal that incumbent employees would be retained only to the extent that the Navy determined that certain incumbent employees were essential, as well as the express intent in AAI's proposal to staff the contract with prospective hires of only 11 percent.

Additionally, we think the record demonstrates that the Navy understood that AAI did not intend to hire 100 percent of the incumbent staff. In response to the protest, the agency states that it understood the awardee to propose to provide staffing that included its own personnel (72 percent), as well as certain contingent staff (17 percent). See Supp. AR (May 4, 2015) at 4-5. We think this representation is consistent with the contemporaneous record because, as discussed above, the Navy assessed strengths for this approach in its evaluation of AAI's proposal. See AR, Tab 4, TET Evaluation Report, at 21. Based on this understanding, it is clear that the agency did not interpret the awardee's proposal to rely on a staffing approach of hiring all of the incumbent staff, as the protester contends.

Finally, to the extent CenterScope argues that the Navy engaged in disparate treatment by adjusting its proposed labor rates, but failing to do the same for AAI, we find this argument has no merit. As discussed above, the agency adjusted the protester's proposed costs to account for differences between its proposed labor rates for CenterScope's and Wyle's current staff, and the higher payroll verified rates for those staff. In contrast, we agree with the agency that there was no basis to adjust the awardee's proposed costs based on the higher rates for the current incumbent staff because the awardee did not identify any specific positions that it intended to fill with incumbent personnel. See AR, Tab 14, AAI Proposal, Vol. IV-Cost, Attach. 3. Instead, as discussed above, the awardee discussed the possibility of hiring certain incumbent personnel, as directed by the agency. See AR, Tab 14, AAI Proposal, Vol. II-Technical, at 7, 11, 13. Because the protester's and

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<sup>9</sup> AAI's counsel argued that both AAI and CenterScope based their proposals on providing 72 percent incumbent staff. Intervenor's Comments (May 8, 2015) at 9. The protester asserts that these statements from counsel substantiate that AAI's proposal was based on hiring the incumbent staff. However, we find that intervenor's counsel's statement mistakenly characterizes the language in AAI's proposal to staff the contract with 72 percent, as incumbent employees, rather than current AAI employees. Counsel for intervenor also subsequently corrected this mistake, confirming that AAI proposed staffing the contract with 72 percent of its current employees and that both offerors proposed employees currently on their respective staffs. See Intervenor's Comments (May 13, 2015) at 2.

awardee's proposals contained differing approaches to staffing, we think it was reasonable for the agency to adjust the protester's proposed labor rates for positions to be staffed with incumbent personnel, but not the awardee's. See The Boeing Co., B-409941, B-409941.2, Sept. 18, 2014, 2014 CPD ¶ 290 at 8-9 (holding that an agency's upward adjustment of the protester's proposed costs, but not the awardee's cost, was not disparate treatment because the agency reasonably evaluated each offeror's proposals based on their individual costs and technical approaches). In sum, we find that the record shows that the Navy reasonably evaluated the technical and cost proposals of the two proposals.

The protest is denied.

Susan A. Poling  
General Counsel