

01342

DECISION



*R. Martin
Pro. II*

**THE COMPTROLLER GENERAL
OF THE UNITED STATES**
WASHINGTON, D. C. 20548

FILE: B-187330

DATE: November 30, 1976

MATTER OF: Educational Computer Corporation

DIGEST:

Determination of realism of proposed costs for cost-plus-fixed-fee contract is matter for agency judgment and will not be objected to by GAO unless there is no rational basis for it.

Educational Computer Corporation (ECC) protests the award of a cost-plus-fixed-fee contract to Honeywell, Inc. (Honeywell), pursuant to request for proposals (RFP) No. F33615-76-R-0054 which was issued by the Aeronautical Systems Division of the United States Air Force (ASD). The RFP called for the design, fabrication, test and installation of a converter/flight controls test station. It provided that the scientific engineering approach would be the most important proposal evaluation factor, with price being a significant factor in the determination of the combination of technical excellence and price which was most advantageous to the Government. The right to award a contract at other than the lowest price was specifically reserved.

The three proposals received were determined to be within the competitive range. The Honeywell proposal was rated outstanding technically and substantially higher than the proposals of ECC and the third offeror which were considered almost equal. Negotiations were conducted with each of the offerors after which best and final offers were submitted. In its best and final offer, Honeywell reduced its price from \$625,169 to \$380,030 and ECC reduced its price from \$483,780 to \$459,000. Award was made to Honeywell whose proposal was considered by ASD to be lowest in cost and highest in technical excellence.

ECC contends that in the absence of any change in the scope of work, the massive (40 percent) price reduction made by Honeywell in its best and final offer raises a question about the cost realism of its proposal and the validity of its technical approach. Although recognizing that there is nothing illegal about "buying-in", ECC alleges that it is improper to award a contract on the basis of an unrealistic estimated cost.

The record indicates that about \$240,000 of the \$245,139 reduction by Honeywell was attributed to reductions in labor and labor overhead and a fee reduction from \$49,852 to \$100. Honeywell convinced ASD that its recent experience on a completed contract involving similar efforts justified the belief that significantly less time would be needed for software integration, check out and system documentation than was originally anticipated for this effort. The record reveals that ASD did not accept these reductions at face value but carefully analyzed Honeywell's justifications. It determined that the reductions were prudent and realistic and that the contract requirements could be met within the reduced cost estimate and at no degradation of the technical approach originally proposed by Honeywell.

We have reviewed the initial proposal and the best and final offer of Honeywell including the supporting data and the analysis made by ASD. We are unable to conclude from the record that ASD's determination with regard to the cost realism of Honeywell's final price lacked a rational basis. This Office has held that when a cost-plus-fixed-fee contract is to be awarded, evaluated costs rather than proposed costs provide a sounder basis for determining the most advantageous proposal. PRC Computer Center, Inc., et al., 55 Comp. Gen. 60 (1975), 75-2 CPD 35; 52 id. 870, 874 (1973). The extent to which an agency should analyze proposed costs to determine their realism is a matter for the judgment of the procuring officials and that judgment will not be subjected to objection from this Office unless there is no rational basis for it. Grey Advertising, Inc., 55 Comp. Gen. 1111 (1976), 76-1 CPD 325; 50 Comp. Gen. 390, 410 (1970).

Although we have been informally advised that Honeywell's expenditures so far conform to its proposed schedule, we have requested that the Air Force let us know the final cost figures.


ECC suggests that such a massive reduction which placed Honeywell's price below that of ECC must be suspect as having been derived from the receipt of unauthorized information. ASD denies that there was any breach of security or actions which violated the integrity of the competitive procurement process. We find nothing in the record to support ECC's suspicion.

Further, we find nothing in the record to support ECC's apparent belief that, in order to facilitate award to an offeror other than ECC, ASD determined to conduct discussions rather than make an award on the basis of initial proposals. With certain specified exceptions, 10 U.S.C. § 2304(g) as implemented by the

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Armed Services Procurement Regulation § 3-805.1 (1975 ed.) requires that oral or written discussions be conducted with all offerors whose proposals are within the competitive range. After such discussions, each such offeror must be given an opportunity to revise its proposal, including the price, by submitting its "best and final offer". The authority to make an award without discussions is closely circumscribed and, when permissible, operates only to permit acceptance of a proposal as it was initially submitted. 48 Comp. Gen. 663, 667 (1969). The thrust of the statutory and regulatory requirement clearly establishes that award without discussions should be the exception to the general rule.

Accordingly, the protest is denied.


Deputy Comptroller General
of the United States