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**Comptroller General  
of the United States**

**United States Government Accountability Office  
Washington, DC 20548**

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## Decision

**Matter of:** Abt Associates

**File:** B-294130.2

**Date:** October 12, 2004

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Robert Sonenthal, Esq., Sonenthal and Overall, for the protester.

Kenneth A. Martin, Esq., Martin & Associates, for TCG International, LLC, an intervenor.

Diane A. Perone, Esq. and John B. Alumbaugh, Esq., Agency for International Development, for the agency.

Mary G. Curcio, Esq., and John M. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

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### **DIGEST**

Protest that agency did not perform proper cost realism analysis of awardee's proposal is denied where agency reviewed proposed costs and determined that they were achievable, and protester does not allege that awardee's proposed costs were inconsistent with its technical proposal.

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### **DECISION**

Abt Associates protests the award of a contract to TCG International, LLC under request for proposals (RFP) No. 386-04-001, issued by the Agency for International Development (AID) to procure technical assistance to India for Phase III of the Financial Institutions Reform and Expansion (Debt Market) (FIRE-D III) program. Abt alleges that AID made the award to TCG based on an improper cost realism analysis of TCG's proposal.

We deny the protest.

The solicitation, which contemplated the award of a cost-reimbursement contract, provided for a "best value" award based on an evaluation of technical, past performance and cost factors. With respect to cost, the solicitation provided that the contracting officer would perform an analysis of whether offerors proposed a realistic cost for successful completion of the effort and production of the outputs in the RFP. After multiple rounds of discussions, TCG's and Abt's proposals were rated technically equal, with 83 and 83.25 (out of 100 possible) points, respectively.

Thus, since TCG's final proposed cost was \$10,923,041, versus Abt's \$12,413,082, the agency selected TCG's lower cost proposal for award.

Abt asserts that AID unreasonably determined that TCG's final cost proposal—reducing TCG's initial proposal cost of \$12,954,979 to \$10,923,041—was realistic. More specifically, Abt maintains that AID improperly accepted TCG's cost reductions for travel (\$245,348), per diem (\$504,885) and field office (\$465,023), because those reductions were not accompanied by supporting information. In this regard, TCG reduced its travel costs by reducing the proposed number of international and domestic trips and extending the duration of each trip. TCG reduced its per diem costs based on its projection that 60 percent of those costs would be incurred in smaller, less expensive cities, and based on a negotiated discount with the hotels where its staff would stay. TCG reduced its field office costs by proposing to rely on temporary offices located with consultants and partner institutions, rather than by establishing its own separate field offices. Abt argues that the agency should not have accepted the proposed cost reductions for travel and field offices because TCG did not explain or justify the decision to reduce the number of trips and extend their duration, and did not offer support to demonstrate that the proposed field office arrangements would be available. Abt asserts that AID should not have accepted the proposed reductions in per diem costs because TCG did not offer any support for its claim that 60 percent of those costs would be incurred in smaller, less expensive cities, or for the hotel discounts. According to Abt, the solicitation requires at least 50 percent of FIRE-D III activity to take place in larger cities, and that it is unlikely that TCG was able to negotiate hotel discounts.

Where an agency evaluates proposals for the award of a cost-reimbursement contract, an offeror's proposed costs are not considered controlling, since the costs are only estimates, and thus may not provide valid indications of the final actual costs that the government will be required, within certain limits, to pay. ViaSat, Inc., B-291152, B-291152.2, Nov. 26, 2002, 2002 CPD ¶ 211 at 11. Accordingly, a cost realism analysis must be performed when a cost-reimbursement contract is contemplated. Federal Acquisition Regulation § 15.404-1(d)(2). A cost realism analysis is the process of independently reviewing and evaluating specific elements of each offeror's proposed cost estimate to determine whether the proposed cost elements are realistic for the work to be performed, reflect a clear understanding of the requirements, and are consistent with the unique methods of performance and materials described in the offeror's technical proposal. Id.

Here, in performing the cost realism analysis of TCG's proposal, AID conducted a detailed, comprehensive evaluation of the proposed costs based on TCG's approach to the contract. Specifically, AID verified the cost of domestic and international travel by comparing the proposed fares to available fares. AID determined the realism of the per diem rates by checking those rates against the Federal Travel Regulations and by comparing them to other offerors' proposed rates. Finally, AID verified rents with the Housing Office in India by comparing them to both the market

rates published in the Times of India and to the rates in AID's Overseas Real Property inventory. AID concluded that the costs proposed by TCG were achievable and realistic based on the proposal submitted. We find that the agency's methodology and conclusions were reasonable. The agency did what a realism analysis calls for; it examined whether the costs proposed to perform the various elements of TCG's technical proposal are consistent with the firm's likely actual cost of performance. While Abt claims TCG provided no supporting information for its cost reductions, it has not shown that the resources on which the agency relied were not an accurate measure of the likely cost of performance. Since Abt has not shown that the agency's realism determination was otherwise unreasonable, there is no basis to challenge the agency's conclusion that TCG's proposed costs were realistic.<sup>1</sup>

The protest is denied.

Anthony H. Gamboa  
General Counsel

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<sup>1</sup> Abt's protest against the cost realism analysis was submitted on July 19, 2004, in comments responding to a report that AID submitted to our Office on July 9. (That report responded to an earlier Abt protest (B-294130) that we dismissed on August 11.) On August 13, AID requested that our Office dismiss Abt's July 19 protest against the cost realism analysis for failure to state a basis of protest. In responding to that request on August 25, Abt for the first time argued that the technical evaluation did not take into account the changes that led to TCG's reduced costs. Since this argument was not raised within 10 days after Abt's receipt of the July 9 agency report, it is untimely and will not be considered. 4 C.F.R. § 21.2(a)(2) (2004).