



**Comptroller General
of the United States**

Washington, D.C. 20548

Decision

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Matter of: American Combustion Industries, Inc.

File: B-275057.2

Date: March 5, 1997

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Gerard P. Sunderland, Esq., and Michael A. Stover, Esq., Whiteford, Taylor & Preston, L.L.P., for Green Contracting Company, the intervenor.

Kenneth A. Lechter, Esq., and Alden Abbott, Esq., Department of Commerce, for the agency.

Ralph O. White, Esq., and Christine S. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Contention that awardee's proposal offered noncompliant equipment and had to be rejected is denied where the record, as a whole, shows that nothing in the solicitation required an offeror to identify any specific equipment in its proposal; the solicitation clearly anticipated that offerors would be required to seek post-award approval of the equipment at issue--even if they offered equipment from an approved source; and the agency's request that the offerors identify the sources for certain key pieces of equipment prior to award was an act of contract administration begun in advance of award to streamline the eventual approval of the needed equipment.
2. Contention that agency was required to advise protester of concerns about an individual the agency perceived was being offered as the project manager is sustained where the record shows that: (1) neither the initial proposal nor the best and final offer indicated that the individual would be the project manager; (2) the agency concluded that an individual it believed to be poorly qualified was being substituted because the project manager identified in the proposal was unavailable on the day the agency held oral discussions; and (3) by not revealing its conclusion--or the fact that the agency considered the perceived substitute to be poorly qualified--the protester was unable to either correct the conclusion, or address the agency's concerns.

3. Contention that agency violated Federal Acquisition Regulation § 15.610(c)(6) by not advising protester of adverse past performance information received from one of protester's references is sustained as the regulation clearly requires such discussions if the protester has not otherwise had an opportunity to reply to the information and the record shows that protester was likely prejudiced as a result of the agency's omission.

DECISION

American Combustion Industries, Inc. (ACI) protests the award of a contract to Green Contracting Company, Inc. under request for proposals (RFP) No. 52SBNB6C9165, issued by the National Institute of Standards and Technology (NIST), Department of Commerce, for two boilers and a structure to house those boilers. ACI argues that the agency failed to conduct meaningful discussions; failed to reasonably evaluate proposals; wrongly awarded to Green given Green's proposed use of an unapproved boiler; and improperly relied on past performance information about ACI provided by a competitor with a conflict of interest.

We sustain the protest.

BACKGROUND

Issued on July 15, 1996, the RFP here sought all labor, equipment and material for the supply and installation of two 82,000 pounds per hour boilers--and construction of an addition to an existing building to house the boilers--for the NIST facility in Gaithersburg, Maryland. The RFP anticipated award of a fixed-price construction contract to the offeror whose proposal's "technical/price relationship is most advantageous to the government." RFP § M.3.

Section M.4 of the RFP set forth six technical evaluation factors, which were assigned the following specific evaluation weights:

1. Past Performance on Building Construction	30 percent
2. Past Performance on Phased Refurbishing	20 percent
3. Past Performance of Personnel	20 percent
4. Past Performance of Construction Schedule Adherence	10 percent
5. Critical Path Method	10 percent
6. Quality Control Plan	10 percent

Under each factor, evaluators assigned a score between 1 and 10, which was then multiplied by the relative weight for that factor to produce a maximum total score of 1,000 points. As shown above, past performance--in one form or another--accounted for 80 percent of the available points in the technical evaluation.

The construction specifications appended to the RFP stated that "[t]he boilers shall be a Babcock and Wilcox Model FM, Nebraska, Volcano packaged watertube boiler or an approved equal." Specification for the Boiler Capacity Upgrade Construction, section 15554, ¶ 2.2.1.1. The RFP did not require offerors to identify a boiler in their proposals, and no provision in the evaluation scheme anticipated an assessment of an offeror's boiler selection. In addition, the RFP's pricing schedule sought only a total price for the labor, construction, and equipment necessary to install the boilers; there was no requirement to separately price the boiler equipment offered.

Five proposals were received by the closing date of August 16. Upon completion of an initial review, the contracting officer determined that only two of the proposals--those submitted by ACI and Green--were within the competitive range. Both the ACI and Green proposals received relatively high initial scores and were very close in price. By letters dated August 20, the contracting officer asked both ACI and Green to participate in "clarifications/discussions" of their proposals. Both offerors were asked to provide written answers to certain questions by August 23, and both were requested to participate in oral discussions on August 27.

The agency's August 20 letters asked the offerors to identify the manufacturer and model number of the boilers (as well as four other items) to be installed. In response, ACI identified for installation either a Nebraska Boiler Company, Model NS-E-77 boiler, or a Babcock and Wilcox Company, Model FM 103-97 boiler. Green identified an English Boiler & Tube, Inc., Model APP-80-250 boiler. Both companies provided their responses prior to the oral discussions. During oral discussions, agency representatives told Green that the identified English boiler was not an approved product and advised Green to substitute another boiler. Written notes by agency representatives present during discussions indicate that Green was advised to provide this information with its best and final offer (BAFO). Other matters raised during oral discussions will be set forth, as relevant, in greater detail below.

By the September 4 due date set for submission of BAFOs, both ACI and Green submitted revised technical proposals, and revised prices. The cover letter to Green's BAFO indicated that the offer was in "full compliance" with the specifications, but also indicated that the BAFO included "submittal data for an English boiler" However, the attachment including the data for the English boiler was received after the closing time set for receipt of BAFOs. The agency placed the technical information in an envelope and did not review it as part of its evaluation.

After evaluation of BAFOs, ACI's initial score was [deleted], and Green's initial score was [deleted]. The following table shows the initial and BAFO scores for each of the six evaluation factors:

EVALUATION FACTORS

GREEN

ACI

	Initial	BAFO	Initial	BAFO
Past Perf. on Building Construction	*	*	*	*
Past Perf. on Phased Refurbishing	*	*	*	*
Past Perf. of Personnel	*	*	*	*
Past Perf. of Construction Schedule Adherence	*	*	*	*
Critical Path Method	*	*	*	*
Quality Control Plan	*	*	*	*
TOTAL	*	*	*	*

(* numerical scores deleted)

After comparing the proposed prices offered by ACI and Green--[deleted], respectively--the contracting officer concluded that the additional technical capabilities of Green reflected in its [deleted] justified Green's [deleted]. Thus, the agency awarded to Green, and this protest followed. Work on the project here was suspended by the agency pending the outcome of this protest.

ACCEPTABILITY OF GREEN'S PROPOSED BOILER

A threshold issue in this protest is ACI's contention that the agency could not properly award to Green because Green proposed to provide an unapproved boiler. According to ACI, offerors were required to obtain approval of their boilers prior to award. Alternatively, ACI argues that Green's identification of an unapproved boiler followed by its failure to substitute an approved boiler--or to submit approval information prior to the closing time set for receipt of BAFOs--renders its proposal ineligible for award. For the reasons stated below, we disagree.

The solicitation here was for a construction contract, not for supplies. In keeping with the emphasis on construction, the agency designed its RFP and its evaluation scheme to focus on price, past performance, and construction-related issues. There is no requirement in the RFP for an offeror to identify any particular boiler model in its proposal, and there is no provision in the evaluation scheme for a relative

assessment of an offeror's boiler.¹ The absence of these provisions alone strongly undercut the protester's assertion that an offeror's intended boiler had to be approved prior to award.

In addition, the RFP here included a detailed approval process that clearly anticipates approval after award. For example, clause H.9 of the RFP requires the successful offeror to provide a list of all materials and/or equipment to be used in this construction contract prior to making any purchase commitments. The clause also states that the contracting officer's technical representative (COTR) will give tentative approval for such purchases, which will not become final until submission of samples and/or shop drawings. Further, since clause G.1 provides that the COTR will not be named until contract award (precluding his or her input into the approval process until after that time), there is no evidence that the agency has a process in place to approve boilers prior to award.

Finally, with respect to the boilers here, the specifications stated that "[t]he boilers shall be a Babcock and Wilcox Model FM, Nebraska, Volcano packaged watertube boiler or an approved equal." Specification, Section 15554, ¶ 2.2.1.1. Nothing in this provision identifies a specific model of boiler; instead, the specification identifies only manufacturers of boilers, or in the case of Babcock and Wilcox, a boiler model line.² Thus, we conclude that the RFP required that before any boiler could be installed—even one from a model line identified in the specification—the contractor was compelled to seek approval of the specific boiler model.³

¹In fact, neither the protester nor Green made any mention of a specific boiler in their initial proposals.

²In a hearing convened by our Office to consider the boiler issue, and other issues in this protest, the protester's president testified that the "boilers" listed in the specification were in fact boiler model lines, and that not all models sold by any one of these manufacturers would necessarily meet the specification's technical requirements. Hearing Transcript, January 31, 1997 at 32. (Tr. II at 32.) (The hearing in this case lasted 2 days and two transcripts were produced. For clarity, we will refer to the transcript from January 30 as Tr. I, and the transcript from January 31 as Tr. II.)

³The protester's contention that approval was required prior to award is undercut by the fact that the protester's president testified at the hearing that (1) if he had received a good quote on the English boiler he would have asked for its approval, Tr. II at 34; and (2) ACI contacted English for a price while preparing its BAFO. Tr. II at 47-48. Based on this evidence, it appears that the protester had no doubt that it could seek approval for an English boiler, if it chose to do so. Also, asking for a
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Although pre-award boiler approval was not envisioned by this RFP, the agency began that approval process during discussions, and thus the relevant issue is whether, in light of Green's response, its proposal could be accepted. Given Green's identification of an unapproved boiler during the negotiation process and the agency's indication that the boiler was either unacceptable--or would require further documentation to establish its acceptability--ACI argues that the agency could not reasonably award to Green when Green's BAFO neither offered an approved boiler nor tendered additional support for the English boiler in time for the agency's consideration.

While we recognize that the agency's request that ACI and Green identify the sources for certain key pieces of equipment prior to award appears inconsistent with the structure of the RFP and the specifications, we consider the agency's request that the offerors identify their boilers (and other major components) an act of contract administration begun in advance of award to streamline approval of the needed equipment. This situation is similar to one reviewed in our decision Hughes Georgia, Inc., B-244936; B-244936.2, Nov. 13, 1991, 91-2 CPD ¶ 457. There, an invitation for bids (IFB) asked for a list of potential subcontractors requiring Equal Employment Opportunity (EEO) pre-award clearance pursuant to Federal Acquisition Regulation (FAR) § 52.222-28; and the low bidder listed two potential suppliers of source-controlled components for the missiles at issue that were not approved sources of the components. After reviewing the supplied list and its relationship to the IFB, our Office concluded the information requested by the agency was to be used solely in administering the agency's EEO program, and that the list of potential subcontractors furnished did not limit, reduce, or modify the low bidder's obligation to deliver the items in accordance with the terms of the solicitation, "including the . . . requirement to obtain components and materials from only approved sources." Id. at 5-6.

Here, as in Hughes Georgia, Green remains obligated to perform the work in accordance with the specifications. Green's initial proposal was completely silent on the subject of the boiler, and took no issue with any promise required by the solicitation.⁴ Although Green's written response to the agency's August 20 letter

³(...continued)

price during the short window allowed for preparation of BAFOs appears inconsistent with a belief that ACI would have to complete the approval process prior to submitting its BAFO.

⁴In contrast, the precedent the protester claims should control involved an offeror's proposal that specifically took issue with key clauses set forth in the solicitation. In
(continued...)

identified an unapproved boiler, Green did not refuse to comply with the solicitation if the boiler is not approved. Likewise, Green's mention of the boiler in its BAFO cover letter--answering a request by the agency that Green either name a new boiler, or provide documentation for the English boiler--does not alter its concurrent promise to comply with the solicitation if the English boiler is not approved. In fact, the submission of the boiler data--even though late--demonstrates Green's understanding of the ongoing requirements of the approval process. We conclude that the agency properly determined that the Green proposal did not take exception to the specification's boiler requirements and that the agency's right to approve proposed boilers prior to installation was not compromised under the circumstances here.

MEANINGFUL DISCUSSIONS AND EVALUATION OF ACI'S PROPOSAL

ACI argues that on several different issues the agency reached unreasonable conclusions about its proposal, and failed to advise ACI of its concerns during discussions. These contentions fall into three categories: (1) agency concerns about ACI's key personnel; (2) agency concerns about perceived technical weaknesses in ACI's proposal; and (3) adverse reports about ACI's past performance.

In considering a protest against an agency's evaluation of proposals, we will examine the record to determine whether the agency's judgment was reasonable and consistent with stated evaluation criteria and applicable statutes and regulations. ESCO, Inc., 66 Comp. Gen. 404 (1987), 87-1 CPD ¶ 450. In addition to the evaluation issues, we will review the adequacy of agency discussions to ensure that agencies point out weaknesses that, unless corrected, would prevent an offeror from having a reasonable chance for award. Department of the Navy-Recon., 72 Comp. Gen. 221 (1993), 93-1 CPD ¶ 422. There is no requirement that an agency advise an offeror of a minor weakness that is not considered significant, even where the weakness subsequently becomes a determinative factor when two closely-ranked proposals are compared. Volmar Constr., Inc., B-270364; B-270364.2, Mar. 4, 1996, 96-1 CPD ¶ 139.

⁴(...continued)

that case--Environmental Tectonics Corp., B-225474, Feb. 17, 1987, 87-1 CPD ¶ 175, aff'd, B-225474.2 et al., Apr. 9, 1987, 87-1 CPD ¶ 391--the awardee was asked to withdraw its qualifications to the RFP, but failed to do so in its BAFO. When the agency accepted a letter withdrawing the qualifications after the closing date, we sustained the protester's challenge to that action. Environmental Tectonics Corp., supra at 3-5. Here, there was no exception taken to the solicitation.

Personnel

With respect to ACI's personnel, the agency's greatest concern appears to be in the area of ACI's proposed project manager. The record shows that ACI's initial proposal identified a project manager who was well-regarded by the agency. However, when the agency scheduled negotiations with ACI, and requested that ACI bring its proposed project manager and superintendent to the discussions, ACI's proposed project manager was unavailable. As a result, ACI sent its president, a vice-president, and one of the proposed construction supervisors to the negotiations. Although the transcript from the hearing reflects different understandings about what was said regarding the absence of the project manager, the record clearly reflects that by the end of the meeting, the agency was concerned that the vice-president who attended the meeting would be substituted for the proposed project manager during the initial months of contract performance.

The record on this subject also shows the following: (1) the individual perceived to be the substitute project manager was viewed as a poor choice because of negative references; (2) the agency did not mention its concerns during discussions; (3) ACI did not amend its proposal to change its project manager; and (4) because of concerns about the substitute project manager (and the construction supervisor, discussed below) the agency downgraded ACI's proposal under the past performance of personnel evaluation factor by [deleted] points.

ACI argues that it was unreasonable to assume that it was replacing the project manager named in its proposal simply because the proposed project manager could not attend the negotiations on the day they were scheduled. In addition, ACI contends that the agency should have advised ACI of its concerns during discussions.

In the hearing convened for this protest, we took testimony from four individuals--two representing the protester, two representing the agency--on the subject of what was said during negotiations regarding the absence of the proposed project manager. Based on our review of this testimony, we find that the agency reasonably concluded that the proposed project manager would be unavailable during the initial months of performance, even though we recognize that ACI did not substitute a new project manager in its BAFO. On the other hand, we cannot ignore the evidence in the record that the agency considered the perceived substitute a poor choice. This assumption that ACI intended to substitute another ACI employee for the named project manager--which ACI says was incorrect--had a significant negative impact on ACI's evaluation.

In our view, the agency's failure to advise ACI of this assumption--and of the negative evaluation results that accompanied it--unreasonably deprived ACI of an opportunity to resolve any question about the availability of its proposed project

manager, or substitute another individual for the position. At the conclusion of the oral negotiations, or even in the letter calling for BAFOs, the agency could have easily asked ACI to address this issue. Given that the agency's assumption appears to have accounted for the largest portion of the [deleted]-point deduction from ACI's initial rating under this factor--we think the agency was required to raise this issue during discussions. E.L. Hamm & Assocs., Inc., B-250932, Feb. 19, 1993, 93-1 CPD ¶ 156 at 4-5.

The record shows that the agency was also concerned about ACI's proposed construction supervisor. Although the evaluation materials reflect very favorably on this individual in his capacity as a supervisor with another firm, they also reveal some concerns that he lacked experience with ACI and with boiler installation projects, as required by the RFP. ACI does not challenge the reasonableness of these conclusions, but claims that the agency was required to raise them during discussions. We disagree. Our review of the evaluation materials reveals an assessment of the construction supervisor that includes both strengths and weaknesses. There is nothing to indicate that the proposed supervisor strongly influenced the selection decision, and we see no reason that the agency had to discuss its view of his relative strengths and weaknesses during discussions. Cygnus Corp., B-275181, Jan. 29, 1997, 97-1 CPD ¶ 63 at 10-11.

Technical Proposal

ACI next argues that the agency was required to raise during discussions two negative assessments about ACI's technical proposal--i.e., the agency's conclusion that ACI's quality control plan showed little evidence of back-up support for day-to-day project management, and the agency's conclusion that ACI's responses to questions raised during oral negotiations did not demonstrate a clear understanding of certain of the difficulties associated with this project. We deny both contentions. In neither case can ACI claim that the comments reflect a major concern about ACI's proposal. In addition, nothing in the record suggests that either of these concerns would have caused the agency not to select ACI. While the record shows that both of these assessments were used to help the agency discriminate between the offerors, it also shows that, in the agency's view, both offerors submitted very good proposals, either of which could have been selected for award. Id.

Past Performance

Finally, ACI argues that the agency failed to hold meaningful discussions on past performance because it did not advise ACI of a negative report provided by one of ACI's references. In this regard, ACI cites FAR § 15.610(c)(6) (FAC 90-31), which requires agencies holding discussions to permit offerors to respond to past performance information on which they have had no previous opportunity to

comment. For the reasons set forth below, we agree with ACI on this issue, and we conclude that ACI was prejudiced by the agency's actions.

FAR § 15.610(c)(6) states that a contracting officer shall:

"[p]rovide the offeror an opportunity to discuss past performance information obtained from references on which the offeror had not had a previous opportunity to comment. Names of individuals providing reference information about an offeror's past performance shall not be disclosed."

The RFP here required offerors to provide references on past construction projects. RFP § L.13. On two of the prior construction projects identified by ACI in its proposal--one for the National Aeronautics and Space Administration (NASA), and one for James Madison University in Virginia (JMU)--ACI was given at least partially unfavorable past performance reviews on the basis of delays. With respect to the NASA project, the record shows that NASA advised the agency that ACI was 100 days late in beginning work and that NASA experienced problems with ACI's project manager--the same individual the agency believed was being substituted here. With respect to the JMU project, the record shows that JMU advised the agency that ACI was "not on time--5 months late--due to slow delivery of boiler and part due to ACI." Otherwise, the JMU reference was good.

There is no dispute here regarding the facts: the agency and ACI agree that the agency asked ACI why it was late beginning the NASA contract; however, the agency asked no questions about ACI's performance of the JMU contract. Instead, the agency argues that it was not required to raise this issue because FAR § 15.610(c)(6) has no application until the past performance reporting system anticipated by this provision is in place; because the information is historical in nature and no response by ACI could change the facts related to the delays; and because the information was received from references identified by ACI, and ACI could have addressed the criticisms in its initial proposal.

First, while the agency is correct in its assertion that the FAR anticipates eventual implementation of a past performance reporting network, see generally FAR subpart 42.15, we have no basis to conclude that the current language of the FAR--which plainly mandates an opportunity for replying to past performance information if discussions are held⁵--is somehow inapplicable until the past performance reporting

⁵The requirements of FAR § 15.610(c)(6) are not triggered if the agency does not otherwise hold discussions. Int'l Data Prods., Corp. et al., B-274654 et al., Dec. 26, 1996, 97-1 CPD ¶ 34 at 17-18.

network is in place. If the drafters of the FAR had intended that this requirement be held in abeyance until that time, they could have so stated.

Also, while NIST points to prior decisions of our Office denying protests of an agency's failure to raise adverse reports of past performance during discussions because the information was historical and could not be changed (Teledyne Brown Eng'g, B-258078; B-258078.2, Dec. 6, 1994, 94-2 CPD ¶ 223 at 7-8); or because the adverse information was received from a reference provided by the protester who could have addressed the information in advance in its proposal (Bendix Field Eng'g Corp., B-241156, Jan. 16, 1991, 91-1 CPD ¶ 44 at 6-7), these cases were decided before the language of FAR § 15.610(c)(6) became effective. Since the addition of this provision to the FAR on March 31, 1995, via Federal Acquisition Circular 90-26, agencies have been on clear notice that offerors must be given an opportunity during discussions to respond to past performance reports to which they have had no previous opportunity to comment.

Finally, because a showing of competitive prejudice is required to sustain a protest, Lithos Restoration Ltd., 71 Comp. Gen. 367 (1992), 92-1 CPD ¶ 379, we note that the record shows that the agency expressly included its concerns about ACI's ability to perform on time in its initial and BAFO evaluations. This concern was directly pegged to the unfavorable reports from NASA and JMU and is reflected in the agency's decision to award ACI only [deleted] of the [deleted] available points under the past performance on construction schedule adherence evaluation factor. If ACI had been permitted to respond to the reports of delay on the JMU project, it may have been able to succeed in restoring some portion of the [deleted] withheld points under this evaluation factor.

Our conclusions on the past performance issue must also be considered together with our conclusions on the perceived substitute project manager issue. As stated above, with discussions, ACI may have been able to retain some portion of the [deleted] points deducted from its score under the past performance of personnel factor. While we do not believe ACI would have received all [deleted] of the available points in these two areas, we cannot assume that restoration of a significant portion of the available points at issue would have no effect on the earlier price/technical tradeoff decision, wherein NIST elected to pay Green approximately [deleted] on the basis of the [deleted]-point difference between the proposals. Accordingly, we find that ACI was prejudiced by the agency's actions and we sustain the protest on this ground. See Lockheed Aeronautical Sys. Co., B-252235.2, Aug. 4, 1993, 93-2 CPD ¶ 80 at 7.

CONFLICT OF INTEREST

As part of a supplemental protest filed after receipt of the initial agency report here, ACI alleged that the agency improperly considered input from the architect-engineer (A-E) firm used by NIST to oversee this construction effort. Specifically, ACI claimed that the A-E firm's participation in agency deliberations about ACI's past performance was improper because the firm was competing with ACI on unrelated outside business.

Prior to the closing of the record in this case, and prior to ACI's submission of its final comments summarizing all of its arguments in this protest, Green submitted a response to ACI's allegation showing that there was no evidence of any conflict between the A-E firm used by the agency and ACI. In this filing, Green showed that none of the events alleged occurred until significantly later than the award decision here--and more than a month after this protest was filed.

We conclude that the Green submission disposes of this contention, especially in light of ACI's failure to counter Green's filing, even though ACI submitted a comprehensive summary filing after the hearing--and nearly a month after Green's filing--in which ACI failed to dispute any of Green's arguments, or mention this issue in any way. Atmospheric Research Sys., Inc., B-240187, Oct. 26, 1990, 90-2 CPD ¶ 338 at 4.

RECOMMENDATION

For the reasons stated above, we conclude that the agency's failure to discuss with ACI its past performance on a prior contract and its failure to discuss concerns about the individual the agency believed was being substituted for the proposed project manager violated applicable procurement regulations. We recommend that the agency reopen discussions, request a second round of BAFOs, and reevaluate proposals. If, at the conclusion of the agency's reevaluation, the revised best value determination shows that ACI's proposal, and not Green's, represents the best value to the government, the agency should terminate the contract awarded to Green--performance of which has been suspended pending the outcome of this protest--and award to ACI. We also recommend that the protester be reimbursed the reasonable

costs of filing and pursuing its protest including attorneys' fees. Bid Protest Regulations, § 21.8(d)(1), 61 Fed. Reg. 39039, 39046 (to be codified at 4 C.F.R. § 21.8(d)(1)). In accordance with section 21.8(f)(1) of our Regulations, 61 Fed. Reg. supra (to be codified at 4 C.F.R. § 21.8(f)(1)), ACI's certified claim for such costs, detailing the time expended and the costs incurred, must be submitted directly to the agency within 60 days after receipt of this decision.

The protest is sustained.

Comptroller General
of the United States