



Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Contract Services, Inc.

File: B-251761.4

Date: July 20, 1993

Peter C. Rombold, Esq., Hoover, Schermerhorn, Edwards, Pinaire & Rombold, Chartered, for the protester.
Joel R. Feidelman, Esq., Anne B. Perry, Esq., and Shannon L. Haralson, Esq., Fried, Frank, Harris, Shriver & Jacobson, for Theta Services, Inc., an interested party.
Gerald P. Kohns, Esq., and James C. Wagner, Esq., Department of the Army, for the agency.
Andrew T. Pogany, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. While a solicitation must advise offerors of the broad method of scoring to be employed and give reasonably definite information concerning the relative importance of the evaluation factors, the precise numerical weights to be used in evaluation need not be disclosed. Once the relative importance of the technical and cost factors is announced in the solicitation, the agency may reasonably establish the specific numerical weight distribution between technical and cost factors.
2. Where an agency evaluates proposals for the award of a cost reimbursement contract, an offeror's proposed estimated costs are not dispositive, because regardless of the costs proposed, the government is bound to pay the contractor its actual and allowable costs. Consequently, a cost realism analysis must be performed by the agency to determine the extent to which an offeror's proposed costs represent what the contract should cost, assuming reasonable economy and efficiency.
3. An agency's cost/technical trade-off decision represents a discretionary business judgment by contracting officials; technical and cost trade-offs are permitted, and the extent to which one factor may be sacrificed for the other is governed by the test of rationality and consistency with the established evaluation factors.

4. Numeric point scores and adjectival ratings are mere guides to intelligent decision-making; they do not mandate automatic selection of a particular proposal.

DECISION

Contract Services, Inc. (CSI) protests the award of a cost-plus-award-fee contract to Theta Services, Inc. under request for proposals (RFP) No. DAKF-27-92-R-0011, issued by the Department of the Army for direct support and general support maintenance at Neville Island, Pennsylvania, and Fort Indiantown Gap, Pennsylvania. CSI essentially argues that the agency miscalculated its proposal and that the source selection official's selection decision was not rationally justified.

We deny the protest.

The RFP, issued on May 1, 1992, stated that award would be made to the responsible offeror whose proposal was determined to be the most advantageous to the government, cost and other factors considered. The RFP contained the following evaluation factors: (1) quality (with the two subfactors of technical quality and management quality); and (2) cost. The RFP stated that the quality factor was "somewhat more important" than the cost factor. Concerning cost, the RFP stated that cost would be "analyzed for cost realism" and would be evaluated using cost and price analyses. The RFP further stated that the importance of the cost factor in the selection process would increase as the quality difference between proposals decreased.

Four proposals were received by the June 4, 1992, closing date. After initial evaluation, the agency concluded that all four firms were within the competitive range. Discussions were initiated with all offerors, and best and final offers (BAFO) were requested and received. During evaluation, the agency weighted the two major evaluation factors, with the quality factor being assigned a relative weight of 60 percent and the cost factor 40 percent of the total score. Evaluation of BAFOs resulted in the following quality scores:¹

¹For purposes of evaluating the quality factor, the following "grade scale" was employed: (1) 90-100 points (outstanding); (2) 80-89 points (excellent); (3) 70-79 points (satisfactory); (4) 60-69 points (marginal); and (5) 0-59 points (unacceptable).

Theta	95.85
CSI	91.48
Offeror A	87.64
Offeror B	77.60

The agency employed a most probable cost analysis (adjusting proposed costs to reflect realism) which resulted in the following evaluated costs for each offeror:

	Proposed Costs	Adjusted Costs
Theta	\$7,084,574	\$6,874,641
CSI	6,447,781	6,717,971
Offeror A	6,171,760	6,331,760
Offeror B	5,205,995	5,445,995

Thus, Theta was rated highest technically and its cost proposal, as evaluated, was only \$156,671 higher than CSI's. On December 18, 1992, the agency made award to Theta on the basis that its proposal was most advantageous to the government. CSI's protest followed.²

CSI first argues that the agency failed to follow the criteria set forth in the RFP. CSI states that the RFP stated only that the quality factor was "somewhat more important" than the cost factor; CSI argues that the agency, contrary to this stated evaluation weight, evaluated the quality factor as "significantly more important," a standard affording a greater weight to quality, by assigning a relative weight of 60 percent to quality with only 40 percent assigned to the cost factor. CSI states that while the description "somewhat more important" might have been accurate if the agency employed a 55 percent (quality) to 45 percent (cost) ratio, it was "inaccurate where . . . there was a difference of 20 points between the two factors."

We will examine an evaluation to ensure that it was reasonable and consistent with the stated evaluation criteria. See Space Applications Corp., B-233143.3, Sept. 21, 1989, 89-2 CPD ¶ 255. While a solicitation must

²CSI filed an initial protest on February 1, 1993. After receipt of the report, CSI filed comments which raised new issues and which we treated as a subsequently-filed protest. Both protests were then consolidated except for issues in the initial protest that were abandoned or otherwise became academic after CSI's comments were filed. We received a second report from the Army, and CSI also filed comments on that report. The issues discussed in this decision are those that remain after the final set of filings from the parties on the second protest.

advise offerors of the broad scheme of scoring to be employed and give reasonably definite information concerning the relative importance of the evaluation factors, the precise numerical weight to be used in evaluation need not be disclosed. See Bendix Corp., B-208184, Sept. 16, 1983, 83-2 CPD ¶ 332.

Here, as stated above, the protester essentially argues that the agency evaluated quality as significantly more important than cost rather than "somewhat more important" than cost by assigning a 60 percent weight to quality and a 40 percent weight to cost. We are not persuaded by this argument. Regardless of the descriptive terminology employed, the RFP clearly advised offerors that cost was of secondary importance to the quality factor. Once the relative weight accorded quality and cost was announced in the solicitation (with quality as "somewhat more important"), we think that the agency could reasonably employ an evaluation plan using either a 55/45 or 60/40 ratio of technical to cost without violating its announced evaluation methodology. Stated differently, establishing the specific numerical weight distribution between quality (technical) and cost under a broad descriptive solicitation standard is a matter within the discretion of the agency which will not be disturbed unless shown to be unreasonable. The technical/cost ratio here is not unreasonable. In any event, given the technical superiority of Theta, whose proposal was evaluated at only a marginally higher cost, we find nothing in the record to show that the selection decision would have been different even if the agency had used a 55/45 ratio of quality to cost. Accordingly, we deny this protest ground.

CSI also argues that the RFP failed to notify offerors that proposals would be adjusted by the agency to reflect cost realism and that award would be based on realistic costs rather than each offeror's proposed costs.

As relevant here, the RFP specifically provided that "[p]roposals will be analyzed for cost realism," and that cost and price analyses would be employed. While the RFP did not specifically detail the procedures for analyses or adjustment of proposed costs, we think that the agency, by announcing in the RFP that cost and price analyses would be employed to determine cost realism, reasonably advised offerors that the agency would evaluate the realism of proposed costs and would take into consideration the realism of such proposed costs in selecting the most advantageous offeror. This is because, by definition, one of the most basic functions of any cost realism analysis is to ascertain the most probable cost associated with an offeror's proposed technical approach. See AmerInd, Inc., B-248324, Aug. 6, 1992, 92-2 CPD ¶ 85. Thus, where an agency evaluates proposals for the award of a cost reimbursement contract, an

offeror's proposed estimated costs are not dispositive, because regardless of the costs proposed, the government is bound to pay the contractor its actual and allowable costs. Consequently, a cost realism analysis must be performed by the agency to determine the extent to which an offeror's proposed costs represent what the contract should cost, assuming reasonable economy and efficiency. See id. Prospective offerors here were reasonably on notice that a cost realism methodology would be used by the agency to arrive at evaluated costs which would be a factor in the selection process. We therefore also deny this protest ground.

CSI next argues that if the agency did follow the evaluation criteria by performing a cost realism analysis, including cost adjustments, then there was an insufficient basis for adjusting CSI's proposed costs. In support of its position, CSI solely relies on a Defense Contract Audit Agency (DCAA) audit which found, among other things, that CSI's proposal, while not prepared in accordance with certain standards, is "acceptable as a basis for negotiation of a fair and reasonable price."

The record shows that the agency arrived at its cost realism adjustments to CSI's estimated costs through a comparison of CSI's proposed costs to the government estimate and to the other offerors' proposed costs. The agency also relied on the information that it had received from DCAA which concluded that CSI's other direct costs (ODC) were unsupported and understated, and that CSI's phase-in and phase-out costs were overstated. The agency adjusted CSI's proposed costs by \$303,090, which is the amount the agency determined that CSI had understated its ODC, discounted by the amount that CSI had overstated its phase-in and phase-out costs. CSI does not dispute these findings by DCAA or the agency. Consequently, we conclude that the adjustments were reasonable.

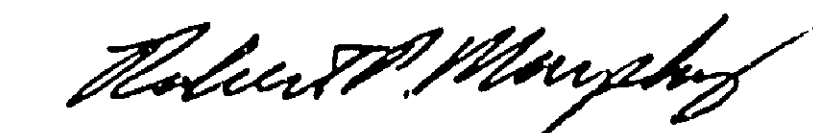
Finally, CSI argues that since CSI and Theta received the same overall quality rating (outstanding) and since Theta's quality score only exceeded CSI's by 4.7 points, the quality proposals of the two offerors should have been considered "as similar if not equal," and that award should have been made to the low offeror, CSI, because cost should have been given greater weight.

An agency's cost/technical trade-off decision represents a discretionary business judgment by contracting officials; technical and cost trade-offs are permitted, and the extent to which one factor may be sacrificed for the other is governed by the test of rationality and consistency with the

established evaluation factors. See Hercules Engines, Inc., B-246731, Mar. 19, 1992, 92-1 CPD ¶ 297. Numeric point scores and adjectival ratings are mere guides to intelligent decision-making; they do not mandate automatic selection of a particular proposal. See Harris Corp.; PRC, Inc., B-247440.5 et al., Aug. 13, 1992, 92-2 CPD ¶ 171.

Here, CSI's argument that it should have been selected for award is based almost entirely on its point score and adjectival rating vis-a-vis Theta's score and rating. Despite having been provided complete access to the evaluation record under a protective order, CSI has failed to challenge any of the specific findings of the agency and its evaluators with respect to the differences between Theta and CSI. Briefly, the record shows that the agency found that Theta had the broadest experience between the two offerors, including broad experience with contract types (cost-plus-award fee, time and materials, fixed price, indefinite quantity, and cost-plus-fixed-fee); providing multifunctional support services to a variety of both government and commercial companies, including inventory, supply, maintenance, operations, engineering and developing computer systems and software; and management experience with direct support and general support maintenance services. The record further shows that the agency found that CSI did not possess broad or varied experience. Since CSI has not challenged these evaluation findings, we are unable to conclude that the selection decision which resulted in the award to the technically higher rated offeror at a marginally higher cost was unreasonable. See Hercules Engines, Inc., supra.

The protest is denied.



for James F. Hinchman
General Counsel