Decision

Matter of: Abacus Technology Corporation

File: B-412375; B-412375.3

Date: January 28, 2016

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Maj. George M. Ebert, Department of the Air Force, for the agency.
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DIGEST

Protest challenging the agency’s cost evaluation is denied where the record demonstrates that the agency reasonably adjusted the protester’s proposed costs based on information provided in the protester’s proposal.

DECISION

Abacus Technology Corporation, of Chevy Chase, Maryland, protests the issuance of a task order to Oasis Systems, LLC, of Lexington, Massachusetts, under request for task order proposals (RFTOP) No. FA8721-15-D-0010-0003, issued by the Department of the Air Force for engineering and technology acquisition support services. The protester argues that the agency conducted a flawed cost realism evaluation.

We deny the protest.

BACKGROUND

The agency issued the RFTOP on July 10, 2015, to all firms holding a contract under the Air Force’s Engineering and Technology Acquisition Support Services multiple-award, indefinite-delivery/indefinite-quantity (ID/IQ) contract, which is set
aside for small businesses.\(^1\) Contracting Officer's (CO's) Statement at 1-2, 7. The RFTOP contemplated the issuance of a cost-plus-fixed-fee (CPFF) task order, with a firm-fixed-price (FFP) contract line item (CLIN) for a transition period, and cost-reimbursement CLINs for travel. RFTOP at 6-37. The anticipated period of performance for the task order includes a 30-day transition period, 1-year base period, and two 1-year options. Id. Under the RFTOP, offerors were to assume that the base period would begin on November 25, 2015. Agency Report (AR), Tab 3E, Answers to Offeror Questions, at 1-2.

The RFTOP established that selection would be made using a lowest-priced, technically acceptable (LPTA) evaluation scheme, with technical acceptability evaluated under the following three technical subfactors: (1) task order management plan; (2) resource allocation plan; and (3) transition (phase-in/phase-out planning). RFTOP at 261-64. With respect to the evaluation of cost/price, the RFTOP provided that an offeror’s total evaluated price (TEP) would be calculated by summing the offeror’s proposed FFP for the transition period CLIN, agency-provided plug numbers for the travel reimbursement CLINs, and the offeror’s evaluated costs for the CPFF CLINs. Id. at 265.

As relevant here, the RFTOP provided that the agency would perform a cost realism analysis in accordance with Federal Acquisition Regulation § 15.404-1(d), and that the agency would adjust offerors’ proposed costs to the extent the agency found them unrealistic. Id. at 264. With respect to labor costs, the solicitation provided historical staffing estimates across four broad program areas, but required offerors to identify the labor categories they would use to meet the RFTOP’s requirements. Id. at 255, 257, 280. The RFTOP advised that the Air Force would develop independent labor rate estimates for offerors’ proposed labor categories and that the agency would adjust an offeror’s labor rates that were less than the agency’s estimated rates if the firm’s proposal failed “to convincingly demonstrate and substantiate” that the offeror could “successfully perform contract requirements and retain highly qualified personnel at the rates [it] proposed.” Id. at 266. The RFTOP further provided that the “burden of proof for establishing the realism of all proposed costs rests with the offeror.” Id.

To facilitate the evaluation of cost/price, the RFTOP instructed offerors to complete a cost format workbook which was included as an attachment to the solicitation. Id. at 258. The cost format workbook contained several worksheets, one of which required offerors to identify their proposed costs for the CPFF CLINs by contractor fiscal year (FY). Id. In this regard, while the periods of performance for the CPFF

\(^1\) The estimated value of the task order at issue is in excess of $10 million; accordingly, this procurement is within our jurisdiction to hear protests related to the issuance of task orders under multiple-award, ID/IQ contracts. 10 U.S.C. § 2304c(e)(1)(B).
CLINs were aligned with the task order years (i.e., beginning on November 25 of one year and ending on November 24 of the following year), the contractor FY worksheet required offerors to further divide these CLINs into time periods aligned with their FY. Id. at 204-12. For example, for the base period, an offeror with a FY aligned with the calendar year was to identify its labor rates under each CPFF CLIN for the period of November 25, 2015 through December 31, 2015, and for the period of January 1, 2016 through November 24, 2016, with a third column providing for the total CLIN cost for the full base period.² Id. at 204-08. Thus, to the extent an offeror proposed to increase its labor rates or other cost elements at the start of its FY, these changes were to be captured and reflected in the contractor FY worksheet.

In addition to the contractor FY worksheet, the cost format workbook included a labor rates worksheet, in which offerors were to identify their FY labor rates for all labor categories. Id. at 259. In this respect, the worksheet provided columns for firms to identify their FY labor rates for FY 2015 through FY 2018. Id. at 217.

On August 5, 2015, the Air Force received timely proposals from seven offerors, but the agency rated only the proposals of Abacus and Oasis as technically acceptable. CO's Statement at 8-9. With respect to the evaluation of cost/price, the agency upwardly adjusted the protester's proposed labor rates on two bases.

First, the Air Force adjusted several of Abacus's proposed labor rates that were lower than the agency's estimated rates. Id. at 11. For each of the protester's proposed labor categories, the Air Force determined what it considered to be an equivalent Office of Personnel Management (OPM) General Schedule (GS) level for the position. AR, Tab 4, Cost/Price Evaluation, at 14. The Air Force then compared the protester's proposed labor rates to the rates for the corresponding GS levels, using the GS step 1 pay rate for all positions and adjusting for locality using OPM's locality pay tables. Id. Based on this comparison, the agency found that 12 of Abacus's 67 proposed labor rates were materially lower than the GS rates the Air Force assigned to those positions, and upwardly adjusted those 12 labor rates to match the GS rates. CO's Statement at 11.

Second, the Air Force found that Abacus's proposed labor rate increases did not correspond to the protester's FY, which was aligned with the calendar year. AR, Tab 4, Cost/Price Evaluation, at 15. Thus, by way of example, in its contractor FY worksheet, Abacus applied its FY 2015 labor rates throughout the entire base period of November 25, 2015 through November 24, 2016, rather than applying its

² Although not at issue here, the contractor FY worksheet indicated that if an offeror's FY did not correspond to the calendar year, the offeror was to break out the task order years into time periods that reflected the firm's actual FY. RFTOP at 204.
higher FY 2016 rates starting on January 1, 2016. AR, Tab 11, Abacus Cost Format Workbook, at Total Base Year CPFF--Contractor FY Tab. The agency found this approach inconsistent with the protester’s labor rate worksheet, which provided for labor rates that increased each contractor FY. AR, Tab 4, Cost/Price Evaluation, at 15. To account for this perceived discrepancy, the agency increased the protester’s proposed rates to correspond to its FY rates; for example, for the base period, the agency applied Abacus’s FY 2015 rates to the period of November 25, 2015 through December 31, 2015, and Abacus’s FY 2016 rates to the period of January 1, 2016 through November 25, 2016.\(^\text{3}\) Id. at 15-17.

As a result of the Air Force’s cost realism evaluation, Abacus’s total proposed price of $59,617,086 was increased by $1,705,086, for a TEP of $61,322,172. Id. at 19. The agency likewise upwardly adjusted Oasis’s proposed costs as part of its cost realism evaluation, resulting in a TEP of $60,796,148. Id. at 24. Pursuant to the RFTOP’s LPTA evaluation scheme, the Air Force issued the task order to Oasis. CO’s Statement at 18.

The Air Force provided Abacus with a debriefing on October 16, 2015, and Abacus timely filed the instant protest with this Office on October 20. Id. at 21.

DISCUSSION

Abacus challenges the Air Force’s cost evaluation primarily on three bases. First, Abacus contends that the agency’s evaluation was unreasonable because the Air Force mechanically increased the protester’s proposed labor rates without considering Abacus’s unique solution or allowing for any deviation below the agency’s estimated rates. Protester’s Comments at 12-13. Second, the protester challenges the agency’s determination that Abacus’s Systems Analyst II labor category was equivalent to a GS 12, arguing that this assessment was inconsistent with the qualifications and responsibilities required for the position. Id. at 14-15. Third, Abacus contends that the Air Force erred when it increased the protester’s proposed labor rates at the start of each calendar year to align with Abacus’s FY rates, as this approach was inconsistent with the protester’s proposal. Id. at 16-17. For the reasons discussed below, we deny the protest.\(^\text{4}\)

\(^\text{3}\) The Air Force also upwardly adjusted Abacus’s costs by applying a labor escalation rate of 1.3% in each option year, whereas Abacus used an escalation rate of [deleted]%. AR, Tab 4, Cost/Price Evaluation, at 14-15. The protester does not challenge this aspect of the agency’s evaluation.

\(^\text{4}\) In its initial protest, Abacus also argued that the agency’s award decision was based on a best-value tradeoff procedure rather than the LPTA evaluation scheme required by the RFTOP. Protest at 8. The agency responded to these arguments in its report, and the protester did not take issue with, or otherwise rebut, the agency’s response. Under such circumstances, we view this argument as (continued...)
The evaluation of competing cost proposals requires the exercise of informed judgment by the contracting agency. We review an agency’s judgment in this area only to see that the agency’s cost realism evaluation was reasonably based and not arbitrary. SGI, Inc., B-294722.4, July 28, 2005, 2005 CPD ¶ 151 at 7. Generally, in performing its cost realism evaluation, an agency must independently analyze the realism of an offeror’s proposed costs based on its particular approach, personnel, and other circumstances; a cost estimation method which mechanically adjusts proposed labor rates fails to satisfy the requirement for an independent analysis of an offeror’s proposed costs. Sci. Applications Int’l Corp. Inc., B-408270, B-408270.2, Aug. 5, 2013, 2013 CPD ¶ 189 at 6. The agency’s cost realism evaluation need not achieve scientific certainty; rather, the methodology employed must be reasonably adequate and provide reasonable confidence in view of the cost information available to the agency at the time of its evaluation. Id.

Abacus argues that the Air Force mechanically increased its proposed labor rates without considering the protester’s unique solution. Protester’s Comments at 12-13. Aside from this general assertion, however, the protester does not explain how its technical or cost proposal demonstrated that its proposed labor rates were realistic. Id. at 13 (citing the protester’s entire cost proposal in support of the assertion that “Abacus reasonably believes that all of its proposed labor rates are realistic”). Moreover, based on our review of the record, we find that the agency reasonably concluded that the protester’s proposal did not adequately support the realism of its proposed rates.

As discussed above, the RFTOP advised offerors that the “burden of proof for establishing the realism of all proposed costs rests with the offeror.” Id. at 266. With respect to labor rates, the solicitation provided that offerors’ proposals were to “convincingly demonstrate and substantiate” that they could “successfully perform contract requirements and retain highly qualified personnel” at the rates proposed. Id. In this regard, Abacus’s proposal provided that its labor rates were developed “based on past experience, salary surveys, GS Pay Scales and competitive incumbent analysis information from FOIAs [Freedom of Information Act requests];” the proposal, however, did not provide any further details that would have allowed the agency to assess the realism of the protester’s proposed rates. AR, Tab 10, Abacus Cost Proposal, at 103. Abacus’s proposal did not, for example, identify the labor rates it obtained from these sources or explain how it used that information to develop its proposed labor rates. Absent any meaningful support in Abacus’s proposal for the labor rates it proposed, we find that the agency reasonably relied on its own estimates. See Sci. Applications Int’l Corp. Inc., supra at 6-7 (finding agency’s cost adjustments reasonable where protester failed to identify “where in its

(...continued)
proposal it provided any documentation to support its proposed labor rates"); CSI, Inc.; Visual Awareness Techs. & Consulting, Inc., B-407332.5 et al., Jan. 12, 2015, 2015 CPD ¶ 35 at 9-10 (agency reasonably concluded that the protester’s “generic, nonspecific citation to market research” did not provide an adequate explanation for the protester’s proposed labor rates).

Abacus also contends that the agency’s cost realism evaluation was unreasonable because it did not allow for any deviation below the agency’s estimated labor rates. Protester’s Comments at 12-13. In this respect, the protester argues that it is a common practice in the government to leave an offeror’s labor rates unadjusted if they fall within a reasonable variance or standard deviation of the agency’s estimated labor rates. Id. at 13. We find the protester’s argument to be without merit.

First, the record reflects that while 15 of the protester’s proposed rates were lower than the Air Force’s estimates, the agency did not adjust 3 of these rates because it found that they were not materially lower than the agency’s estimates.

The record reflects that of the three labor rates the Air Force did not adjust, two were less than 1% lower than the agency’s estimate, while the third rate was 4.16% lower than the agency’s estimate. AR, Tab 4, Cost Evaluation Report, at 15-17. The labor rate representing the next-smallest cost difference was 4.85% below the agency’s estimated rate, and was adjusted by the Air Force. Id. at 17. Although Abacus is correct that the agency has not explained what it considered to be a “material difference” between an offeror’s rate and the agency’s estimate, the protester has offered no rationale as to why it was unreasonable for the agency to upwardly adjust a labor rate that was almost 5% lower than the agency’s estimate.

The protester also contends that the Air Force should not have adjusted the 12 labor rates at issue because Abacus’s other proposed labor rates were higher than the agency’s estimates. Supplemental Protest at 9. Abacus’s argument misunderstands the purpose of a cost realism evaluation. As noted by the agency and intervenor, the fact that Abacus proposed to pay most of its employees more (continued...)
Next, Abacus contends that the agency erred when it assessed the protester’s Systems Analyst II labor category as equivalent to a GS 12. Protester’s Comments at 14-15. Specifically, the protester argues that the agency’s assessment was unreasonable because Abacus’s proposal provided that the Systems Analyst II position would be supervised by the Systems Engineer II position, which the agency found equivalent to a GS 11. Id. at 14. The protester also contends that its proposal plainly demonstrated that the Senior Engineer II position was a more senior and expensive labor category than the Systems Analyst II position. Id. at 14-15. In response, the agency argues that it properly assessed the Systems Analyst II position as a GS-12 equivalent based on the degree requirements, certifications, and specific information technology knowledge that Abacus’s proposal identified as necessary for this position. Supplemental CO’s Statement at 6-7.

As an initial matter, we find that the protester’s proposal does not support its claim that the Systems Engineer II position supervised the Systems Analyst II position. Rather, Abacus proposed that the System Engineer position would provide leadership and guidance to, as well as receive support from, other labor categories, to include the Systems Analyst II position. AR, Tab 10, Abacus Cost Proposal, at 35, 52, 60, 62, 74. As noted by the agency, several of these supporting labor categories were higher-paid than the Systems Engineer II. Id.; AR, Tab 11, Abacus Cost Format Workbook, at Total Base Year CPFF--Contractor FY Tab. Furthermore, in differentiating the responsibilities for skill levels I through IV, the protester’s proposal identified only positions at levels III and IV as potentially having supervisory duties, indicating that a Systems Engineer II would not serve as a supervisor of a Systems Analyst II, or any other position. AR, Tab 10, Abacus Cost Proposal, at 110. In short, the protester’s proposal does not demonstrate that a Systems Engineer II would supervise, and thus should be higher paid than, a Systems Analyst II.\(^7\)

The protester also claims that its proposal “plainly demonstrate[d]” that the experience and qualification requirements for the Systems Analyst II position were less than that for the Systems Engineer II position. Protester’s Comments at 14-15. Abacus, however, provides no support for this assertion. Likewise, the protester has not substantively challenged the agency’s rationale as to why it considered the

\(^7\) We also find unpersuasive the protester’s contention that the experience required under Abacus’s proposal for the Systems Engineer II position (“3-7 years experience”) and the Systems Analyst II position (“3+ years experience”) indicated that the former was necessarily higher-paid than the latter. AR, Tab 10, Abacus Cost Proposal, at 116, 118.
Systems Analyst II position as equivalent to a GS 12. Thus, while Abacus complains that the agency did not contemporaneously document its reasons for assessing the Systems Analyst II as equivalent to a GS 12, the protester has presented no basis for our Office to question the reasonableness of the agency’s rationale. As such, Abacus has provided no basis on which to sustain this ground for protest. See Ben-Mar Enters., Inc., B-295781, Apr. 7, 2005, 2005 CPD ¶ 68 at 7 (an offeror’s disagreement with the agency’s evaluation is not sufficient to render the evaluation unreasonable).

Finally, Abacus argues that the Air Force erroneously increased the protester’s labor rates to provide for pay increases at the start of each calendar year rather than at the start of each task order year. Protester’s Comments at 16-17. As discussed above, the protester’s cost format workbook provided that its FY was aligned with the calendar year and for increasing labor rates in each FY (2015 through 2018). AR, Tab 10, Abacus Cost Proposal, at 105; AR, Tab 11, Abacus Cost Format Workbook, at Rates tab. In calculating its total costs, however, Abacus did not implement these rate increases at the start of the calendar year, but rather at the start of each option year. AR, Tab11, Abacus Cost Format Workbook, at Total Base Year CPFF--Contractor FY tab. As a consequence, the protester applied its FY 2015 labor rates to the entire base period of performance, its FY 2016 rates for all of the first option year, its FY 2017 rates for all of the second option year, and did not use its FY 2018 rates in calculating its costs. Id. at Total Base Year CPFF--Contractor FY tab, Total Option Year 1 CPFF--Contractor FY Tab, Total Option Year 2 CPFF--Contractor FY Tab.

The protester contends that the timing of its proposed pay increases was consistent with its standard business practice, which was clearly communicated in its proposal. Protester’s Comments at 16. In support of this contention, the protester relies on the following language in its cost proposal: “Merit pay increases, based on demonstrated professional work accomplishments, will be given annually as part of the standard appraisal cycle.” Id. The language cited by the protester, however, does not identify the time period for Abacus’s standard appraisal cycle or otherwise suggest that labor rates would increase at the start of each task order year.

Moreover, while the protester’s cost proposal specifically explained that its general and administrative costs rates would change based on the calendar year and that its fringe/overhead rates would change according to the task order year, it did not provide a similar explanation as to when its labor rates would increase. AR, Tab10, Abacus Cost Proposal, at 105. It is an offeror’s responsibility to submit a well-written proposal, with adequately detailed information that clearly demonstrates compliance with the solicitation and allows a meaningful review by the procuring agency. Excellus Solutions, Inc., B-410959.3, July 24, 2015, 2015 CPD ¶ 241 at 4-5. Given that Abacus’s proposal provided that its FY was based on the calendar
year, identified its FY rates for FY 2015 through FY 2018, and did not clearly explain when its labor rates were to increase, we cannot say that the agency acted unreasonably in applying the protester's FY rates to the corresponding FY time periods.

The protest is denied.

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General Counsel