Decision

Matter of: QED Systems, LLC

File: B-417090.2; B-417090.3

Date: July 23, 2019

Matthew P. Moriarty, Esq., Ian P. Patterson, Esq., Shane J. McCall, Esq., and Haley E. Claxton, Esq., Koprince Law, LLC, for the protester.
Steven M. Masiello, Esq., Joseph G. Martinez, Esq., and K. Tyler Thomas, Esq., Dentons US LLP, for Vectrus Mission Solutions Corporation, the intervenor.
Wade L. Brown, Esq., and William J. Wrabley III, Esq., Department of the Army, for the agency.
Charmaine A. Stevenson, Esq., and Laura Eyester, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

Protest challenging agency’s cost realism evaluation and source selection decision is denied where the record shows that both were reasonable and consistent with the terms of the solicitation.

DECISION

QED Systems, LLC (QED), a small business of Aberdeen Proving Ground, Maryland, protests the issuance of a task order to Vectrus Mission Solutions Corporation (Vectrus), of Alexandria, Virginia, under request for proposals (RFP) No. RS3-17-0018, issued by the Department of the Army, Army Contracting Command--Aberdeen Proving Ground, for operational and maintenance information technology for United States Forces-Afghanistan. The protester contends that the Army’s cost realism analysis is flawed and the best-value tradeoff decision is unreasonable.

We deny the protest.

BACKGROUND

The Army issued the RFP on May 24, 2018, to holders of the Army’s Responsive Strategic Sourcing for Services multiple-award, indefinite-delivery, indefinite-quantity (IDIQ) contracts to provide command, control, communications, and computer information technology services. Contracting Officer’s Statement and Memorandum of
Law (COS/MOL) at 1. The task order competition was conducted using the procedures at Federal Acquisition Regulation (FAR) § 16.505. Agency Report (AR), Tab 3, RFP, at 17. The RFP contemplated award of a hybrid fixed-price, cost-plus-fixed-fee, and cost-reimbursement task order with a period of performance that includes a 30-day phase-in period, a 12-month base period, and four 12-month option periods. Id. at 1, 8. The task order will be performed in various locations in Afghanistan and Kuwait and requires that all personnel have at least a secret-level security clearance. AR, Tab 35, Performance Work Statement (PWS), at 3, 7.

Offerors’ technical proposals were to be rated as acceptable or unacceptable in each of the following technical criteria: (1) manpower, (2) transition-in plan, (3) corporate experience, (4) management plan, and (5) quality assurance surveillance plan. RFP at 16. For the sixth technical criterion, technical approach, proposals were to be evaluated and assigned the following ratings: outstanding, good, acceptable, and unacceptable. Id. Offerors were also to be rated as acceptable or unacceptable for the small business contracting plan. Id. at 17. To be considered for award, a proposal was required to receive a rating of no less than acceptable for each technical factor and the small business participation plan. Id. at 15. Award was to be made on the basis of a best-value tradeoff between the technical approach and cost/price factors, where the technical approach factor was more important than the cost/price factor. Id.

As relevant here, for the cost/price factor, the solicitation set forth specific labor categories, the associated Bureau of Labor Statistics (BLS) labor category, the security requirements and location for the position, as well as the outside of the continental United States (OCONUS) labor hours for the position. AR, Tab 6, RFP attach. 2, Contract Manpower Estimate Spreadsheet. The solicitation stated that an offeror could propose the exact manpower requirements set forth in the solicitation, or different labor categories and hours. RFP at 9. If the offeror proposed labor categories and/or hours other than those listed in the solicitation, the offeror was required to submit a narrative explanation. Id. In addition, an offeror was required to proposed direct labor rates for the positions, and provide information necessary to assist the government in understanding why the proposed costs are realistic, including sufficient quantitative and narrative documentation to adequately support and explain the costs proposed. Id. at 9-11. Offerors were to propose other direct costs (ODC)-OCONUS separately; these ODC costs included Defense Base Act (DBA) Insurance coverage, hardship/danger/hazard pay, and life support. Id. at 12.

The RFP stated that proposals would be evaluated for realism in accordance with FAR § 15.404-1, and that “[t]he most probable cost may be determined by adjusting (for purposes of evaluation only) each offeror’s proposed cost, when appropriate. . . .” RFP at 16. The RFP further advised that external sources of information might be used to perform the cost realism evaluation, including information from, but not limited to, the BLS, Department of Labor, Department of State, Defense Contract Audit Agency (DCAA), and Defense Contract Management Agency (DCMA). Id. at 17.
On October 9, QED was initially awarded the task order. COS/MOL at 2. However, in response to a protest filed with our Office, the agency stated it would take corrective action and reevaluate proposals, conduct discussions, solicit and evaluate final proposal revisions, and make a new source selection decision. Accordingly, our Office dismissed that protest as academic. Engineering Solutions & Products LLC, B-417090, Nov. 30, 2018 (unpublished decision). In completing its corrective action, the agency engaged in discussions with offerors, and received final proposal revisions from eight offerors by the established due date. The Army’s final evaluation of the QED and Vectrus proposals was as follows:

<table>
<thead>
<tr>
<th>Technical Factors 1-5</th>
<th>Small Business Participation Plan</th>
<th>Technical Approach</th>
<th>Proposed Cost/Price</th>
<th>Most Probable Cost/Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>QED</td>
<td>Acceptable</td>
<td>Outstanding</td>
<td>$[DELETED]</td>
<td>$126,555,183</td>
</tr>
<tr>
<td>Vectrus</td>
<td>Acceptable</td>
<td>Outstanding</td>
<td>$[DELETED]</td>
<td>$119,732,269</td>
</tr>
</tbody>
</table>

AR, Tab 32, Task Order Decision Document (TODD), at 43. The agency’s realism analysis of QED’s offer resulted in an upward most probable cost adjustment of $[DELETED]. Id. The agency adjusted several of QED’s direct labor rates and its overhead rates. Id. at 32. In conducting its realism analysis, the agency utilized Economic Research Institute (ERI) data from Texas to evaluate direct labor rates, and performed a linear regression analysis to evaluate QED’s overhead rates. See AR, Tab 30, QED Final Cost/Price Evaluation at 1, 4.

On March 21, 2019, the source selection official, who also served as the contracting officer, selected Vectrus for task order award. See AR, Tab 38, Unsuccessful Offeror Letter. QED timely requested and received a debriefing. See AR, Tab 42, QED Debriefing Emails. This protest followed.1

DISCUSSION

QED challenges the Army’s cost realism analysis, specifically, the Army’s use of ERI data from Texas to evaluate direct labor rates and its performance of a linear regression analysis to evaluate QED’s indirect costs. QED additionally challenges the Army’s best-value tradeoff decision. As discussed below, we find no basis to sustain the protest.2

1 The task order at issue is valued in excess of $25 million, and was placed under an IDIQ contract established by the Army. Accordingly, our Office has jurisdiction to consider QED’s protest. 10 U.S.C. § 2304c(e)(1)(B).

2 QED also initially argued that the discussions conducted by the Army were unequal and misleading, however, QED subsequently withdrew these allegations. Comments & Supp. Protest at 7 n.3.
Texas ERI Data

QED argues that the Army’s use of Texas ERI data reveals a latent ambiguity in the RFP because it demonstrates that QED and the agency had a very different understanding about compensation for work performed overseas. Protest at 10-12. QED also argues that the Army’s use of Texas ERI data to evaluate its direct labor rates was unreasonable because “offerors were instructed to build staffing rates based on BLS labor categories consistent with the stipulations in the PWS.” Id. at 9. Finally, the protester also argues that use of ERI data amounted to the application of unstated evaluation criteria by relaxing the qualifying experience requirements for 48 of the 99 personnel positions, and that the Army made unreasonable upward adjustments to QED’s and its subcontractor’s direct labor rates. Id. at 9-10.

The Army argues that the RFP does not contain a latent ambiguity, and nothing in the RFP required that offerors use BLS data to develop their proposed rates or that the Army use BLS rates to assess cost realism. COS/MOL at 21-23; see also Supp. MOL at 6. The Army explains that ERI data from Texas was purposefully selected to perform the cost realism analysis, consistent with the cost proposal instructions in the RFP and the manner in which costs will be reimbursed under the task order. Id. at 17-20. In addition, the Army argues that QED was not prejudiced by the use of the Texas ERI data because of the 48 labor categories that QED alleges the Army relaxed the experience requirements, only four of QED’s labor rates in those categories were upwardly adjusted. Id. at 20.

When an agency evaluates a proposal for the award of a cost-reimbursement contract or order, an offeror’s proposed costs are not dispositive because, regardless of the costs proposed, the government is bound to pay the contractor its actual and allowable costs. FAR §§ 15.305(a)(1), 15.404-1(d), 16.505(b)(3); Exelis Sys. Corp., B-407673 et al., Jan. 22, 2013, 2013 CPD ¶ 54 at 7. Consequently, an agency must perform a cost realism analysis to determine the extent to which an offeror’s proposed costs are realistic for the work to be performed. FAR § 15.404-1(d)(1); DynCorp Int’l LLC, B-411465, B-411465.2, Aug. 4, 2015, 2015 CPD ¶ 228 at 8. An agency is not required to conduct an in-depth cost analysis, see FAR § 15.404-1(d)(2), or to verify each and every item in assessing cost realism; rather, the evaluation requires the exercise of informed judgment by the contracting agency. AdvanceMed Corp.; TrustSolutions, LLC, B-404910.4 et al., Jan. 17, 2012, 2012 CPD ¶ 25 at 13. While an agency’s cost realism analysis need not achieve scientific certainty, the methodology employed must be reasonably adequate and provide some measure of confidence that the rates proposed are reasonable and realistic in view of other cost information reasonably available to the agency at the time of its evaluation. Tantus Techs., Inc., B-411608, B-411608.3, Sept. 14, 2015, 2015 CPD ¶ 299 at 10. Our review of an agency’s cost realism evaluation is limited to determining whether the cost analysis is reasonably based and not arbitrary. TriCenturion, Inc.; Safeguard Servs., LLC, B-406032 et al., Jan. 25, 2012, 2012 CPD ¶ 52 at 6.
As noted, the RFP provided an estimate of the hours and labor categories of manpower needed to perform the requirements; the estimate specifically included a column that identified associated BLS labor categories. RFP attach. 2, Manpower Estimate. The RFP instructed offerors to either propose the exact manpower estimated or submit a narrative explanation for any labor categories and hours proposed that differed from the estimate. RFP at 9. Offerors were instructed to provide support for direct labor rates and indirect expense rates proposed for both the offeror and its subcontractors. Id. at 11. As the work under the task order will be performed in Afghanistan and Kuwait, the RFP further required offerors to propose ODCs for work performed OCONUS, to include applicable indirect charges, for costs such as DBA insurance coverage, hardship/danger/hazard pay, and life support. Id. at 12.

The RFP required that offerors provide information to substantiate the proposed costs, and specifically stated as follows:

Each offeror and its subcontractor(s) shall provide whatever information is necessary to help the Government understand why the proposed costs are realistic. . . . Each offeror’s cost proposal shall contain sufficient quantitative and narrative documentation to adequately support and explain the costs proposed, to include subcontractor proposed costs.

Id. at 9-10 (emphasis omitted). To support the proposed direct labor rates, the RFP required that offerors and their subcontractors provide documentation of their most recent direct labor rates to include at least one of the following: forward pricing rate agreements or forward pricing rate recommendations from DCAA or DCMA; letters of intent; payroll records and/or paystubs; or salary survey data. Id. at 11. To support the ODCs proposed for OCONUS labor, the RFP instructed offerors to “provide supporting documentation of other costs to include danger and hardship pay, [DBA insurance] coverage, or OCONUS incentive pay. If proposing other than the Department of State danger or hardship maximums the proposed rates shall be supported with documentation explaining proposing other than with substantial rationale.” Id. at 14.

The record shows that, as part of its corrective action taken in response to the prior protest, the Army decided to reevaluate offerors’ proposed direct labor rates. The Army sought a methodology other than the standard deviation analysis performed to assess realism during the initial evaluation of proposals, which would take into consideration the impact of contract performance in Afghanistan and Kuwait on personnel compensation. AR, Tab 7, Addendum to Cost/Price Evaluations, at 1-2; Tab 32, TODD, at 17. Specifically, the Army’s decision to use ERI data from Texas was made as follows:

In considering the elements of a total compensation package, the discussion [led] to [a] conversation about how Government personnel would be compensated if they were sent to work in theater. When a Government employee agrees to work in theater, their annual pay is stripped of any locality adjustments and additional compensation is
applied such as hazard, danger pay, and cost of living adjustments. The idea was brought forth that if we could identify an area of the United States that has very little locality adjustments in the [General Schedule Pay Scales], then we could use that area as a neutral point of reference for labor rates that would be used as contractors in theater. The Contracting Officer suggested [] the non-metropolitan areas of Texas as there are no locality adjustments for those areas.

AR, Tab 45, Decl. of Cost/Price Analyst, ¶ 4; see also AR, Tab 32, TODD at 17. The Army found the Texas ERI rates fell within one standard deviation of all the offerors’ proposed direct labor rates (as computed in the Army’s previous cost/price evaluation), aligned closely with the competitive mean of all offerors’ proposed labor rates, and “reflect[ed] the lowest in theater rates personnel could be paid and the [g]overnment would not experience significant risk to contractor performance.” AR, Tab 7, Addendum to Cost/Price Evaluations, at 2. To assess the realism of offerors’ proposed labor rates, the Texas ERI rates--at the 25th percentile for positions requiring a secret-level security clearance and the 50th percentile for positions requiring a top secret security clearance --were compared to the rates proposed by offerors for prime and subcontractor labor to identify labor rates which were low. Id.

In its final evaluation of QED’s cost proposal, the agency noted that QED proposed the labor mix provided in the RFP’s manpower estimate, and developed its labor rates using BLS wage estimates. AR, Tab 30, QED Final Cost/Price Evaluation, at 2, 4. The Army reviewed QED’s proposed direct labor rates and identified rates for 34 proposed personnel that fell below the Texas ERI rates. Id. at 5. Rates for these 34 personnel were upwardly adjusted to the Texas ERI rates; corresponding upward adjustments were made to fringe, overhead, and general and administrative expenses as a result of the upward adjustments to the direct labor costs. Id. at 3-16.

Here, as an initial matter, we conclude that the RFP does not contain a latent ambiguity. A solicitation is not ambiguous unless it is susceptible to two or more reasonable interpretations. See WingGate Travel, Inc., B-412921, July 1, 2016, 2016 CPD ¶ 179 at 7. If the solicitation language is unambiguous, our inquiry ceases. Id. Contrary to the protester’s assertion, the RFP did not require that offerors propose their labor rates based on BLS data. Although the manpower estimate provided with the RFP identified specific BLS labor categories, this alone cannot be read as an instruction to offerors to use BLS data to develop their rates. Nothing in the RFP required offerors to develop their proposed labor rates using BLS data, nor did the RFP mandate that BLS data be used by the Army to assess cost realism or otherwise detail a particular methodology to be used for the analysis. Rather, as noted, the RFP advised that external sources of information might be used to perform the cost realism evaluation. RFP at 17.

We also find the Army’s use of Texas ERI data to be unobjectionable. The record indicates that the Army’s decision to use Texas ERI data was deliberate, and reasonably based on the unique circumstances of the requirement, which the Army described as follows:
As the entirety of the requirement [] is performed in theater (specifically, Afghanistan), there are unique challenges in evaluating labor rates. There is no salary survey data nor is there a data set of historical labor rates. No independent salary survey companies/organizations keep data for [U.S.] contractors performing in theater. Historical labor rates were based on [fixed price level-of-effort or time-and-materials] type contracts in which the only rates the [g]overnment had access to for incumbent efforts are rates which are fully loaded ([i.e., inclusive] of indirect and fee rates). . . . [W]e have no data on the extent to which the incumbent provided danger pay, bonuses, or other monetary incentives to ensure retention of qualified personnel.

AR, Tab 7, Addendum to Cost/Price Evaluations, at 1. As discussed, the RFP required that costs associated with performance of the contract OCONUS were to be proposed as ODCs, and thus, these costs were not to be included in the direct labor rates proposed by offerors. The Army’s conclusion that Texas ERI labor rates associated with the RFP labor categories represented the lowest rates an offeror could realistically expect to pay to retain qualified personnel (absent ODCs) has not been shown by the protester to be unreasonable.

Finally, we conclude that the Army’s use of Texas ERI data did not relax the RFP’s minimum qualification requirements for 48 of the 99 proposed personnel. In this regard, the agency upwardly adjusted QED’s and its subcontractor’s direct labor rates. The protester has failed to explain how a relaxation of the RFP requirements resulted in unreasonable upward cost adjustments. As the intervenor points out, in general, reduced personnel qualifications tend to correlate with lower labor rates. See Intervenor Comments at 5. For these reasons, we find no basis to sustain the protest.

Linear Regression Analysis and Overhead Rates

The protester also argues that the use of a linear regression analysis to evaluate QED’s overhead was unreasonable. As noted, the RFP required that offerors provide whatever information would be necessary to help the government understand the proposed costs, to include sufficient quantitative and narrative supporting documentation. RFP at 9-10. The RFP further stated as follows:

If the [offeror’s] proposal includes accounting approaches that deviate from standard industry accounting practices or caps proposed indirect rates, the offeror shall include documentation from DCMA/DCAA showing that the offeror’s accounting system/cost accounting standards allow for the deviation and/or rate cap. DCMA/DCAA approved deviations and/or rate caps will be incorporated into the resulting task order.

Id. at 10. To support the proposed indirect expense rates, the RFP required that offerors and their subcontractors submit at least one of the following: (a) forward pricing
rate agreements with DCAA or DCMA; (b) forward pricing rate recommendations from DCAA or DCMA; or (c) a forward pricing rate proposal, approved provisional rates proposal, or other statement of current rates.  Id. at 11. The RFP further required that the rates identified in any of these documents “should directly match the rates proposed by the offeror or subcontractor. If the rates do not match, the offeror or subcontractor shall provide sufficient detail explaining how the proposed rates are realistic.”  Id. at 12 (emphasis omitted).

QED proposed overhead rates that were significantly lower than its historical actual rates. Specifically, the overhead rate proposed for the base year of contract performance was [DELETED] percent, with rates declining annually to a rate of [DELETED] percent in the final option period.  AR, Tab 27, QED Final Proposal Revision Cost Narrative, at 9. By comparison, QED’s actual rates for overhead in the three years prior to proposal submission were [DELETED] percent in 2015, [DELETED] percent in 2016, and [DELETED] percent in 2017.  Id. at 15. QED’s 2018 provisional billing rates submitted to and approved by DCAA indicated an overhead rate of [DELETED] percent.  Id. at 16. QED acknowledged that its proposed overhead rates were lower than its actual historical rates, but projected that its future indirect labor rates would significantly decrease over the period of performance of the task order.  Id. at 9. QED explained that, based on recent and projected awards and its current recruiting efforts, it expected its workforce to increase from [DELETED] full time equivalent personnel by the first quarter of 2019 and continue to grow, but that it would maintain lean management and efficient operations to keep its overhead rates competitive.  Id. at 10-11.

In addition, QED applied an OCONUS factor to its proposed overhead rates as follows:

For OCONUS employees who normally work [DELETED], QED only applies [overhead] to [DELETED] and therefore has applied an OCONUS [overhead factor] of [DELETED] to burden OCONUS labor costs.

Id. at 14. Accordingly, the proposed overhead rates used by QED to compute its total proposed price was further reduced by QED’s use of this OCONUS factor. For the entire performance period, QED’s cost summary indicates a total direct labor cost of $[DELETED] and total overhead costs of $[DELETED], indicating an average overhead rate of [DELETED] percent.  See AR, Tab 26, QED Final Proposal Revision Cost Proposal, Cost Element Summary; Tab 44, Decl. of Cost/Price Analyst, ¶ 4 (“The overhead rates proposed by QED of [DELETED] . . . are based on an estimate of their costs associated with work on this contract.”).

The record shows that the Army performed a linear regression analysis based on QED’s historical overhead rates. The agency explains that a linear regression analysis;

is a valuable tool in assessing the relationship between historical indirect pools with their allocation bases and in projecting a future rate based on the proposed allocation base. Once the linear regression is performed
using the regression tool in Excel, the tool predicts a range of pool values that when used with the proposed base develop a range of overhead rates.

AR, Tab 30, QED Final Cost/Price Evaluation, at 1. The Army’s linear regression analysis of QED’s historical overhead rates resulted in predicted rates ranging between [DELETED] and [DELETED] percent. Id. at 6. For evaluation purposes, the Army applied QED’s proposed OCONUS factor (where it applied overhead to the first [DELETED] hours worked and an OCONUS overhead factor of [DELETED] percent to burden OCONUS labor costs) to the agency predicted overhead rate of [DELETED] percent, resulting in a probable overhead rate of [DELETED] percent. Id. The agency then upwardly adjusted QED’s overhead by $[DELETED]. Id. The Army explains that it adopted QED’s application of the OCONUS factor to the proposed overhead rate because DCAA confirmed that QED’s proposed OCONUS factor was a standard accounting practice. Id.; see also AR, Tab 44, Decl. of Cost/Price Analyst, ¶ 4. However, the Army did not accept QED’s proposed overhead rates because “the increase in [QED’s] direct labor base with little to no corresponding increase in its [overhead] or [general and administrative] expenses is not quantifiable.” AR, Tab 44, Decl. of Cost/Price Analyst, ¶ 4.

QED argues that its proposal explained that as a small business it was “uniquely situated to operate with lean overhead costs.” Protest at 12. QED argues that its historical experience was not indicative of its future overhead because the company has grown significantly since mid-2018, and its overhead rates will be much lower than historical experience would otherwise indicate. Id. at 12-13. QED argues that the Army unreasonably disregarded the information provided in its proposal and instead mechanically applied the linear regression analysis, completely eliminating QED’s competitive advantage. Id. at 12-14.

The Army argues that the use of linear regression analysis created a consistent and effective measure to evaluate the indirect rates for all offerors. Specifically, the Army argues that its analysis was not mechanical, and that it accepted, in part, QED’s explanation for its proposed overhead rates. COS/MOL at 24. However, the agency argues that it reasonably rejected QED’s assertion that additional employees would not increase its overhead expenses, and properly upwardly adjusted QED’s proposed rates. Id.

As stated, an offeror’s proposed costs are not dispositive because, regardless of the costs proposed, the government is bound to pay the contractor its actual and allowable costs. FAR §§ 15.305(a)(1), 15.404-1(d); Exelis Sys. Corp., supra. An agency’s determination of evaluated realistic costs is an informed judgment of what costs reasonably would be incurred by acceptance of a particular offeror’s proposal. Allied Mar. Mgmt. Org., Inc., B-222918, B-222918.2, Aug. 26, 1986, 86-2 CPD ¶ 227 at 2. Determining whether submitted proposals are realistic must be left to the informed judgments and administrative discretion of the contracting agency, which is in the best position to judge the realism of costs and must bear the difficulties and expenses
experienced by reason of a defective cost analysis. *Id.* Our Office has recognized linear regression analysis as a methodology by which an agency may assess an offeror’s proposed indirect rates. *See ERC, Inc., B-404721, B-404721.2, Apr. 19, 2011, 2011 CPD ¶ 94* (denying protest challenging agency’s use of linear regression analysis where the protester failed to provide an adequate explanation for proposing fringe rates different from what it was currently using).

Here, the information provided by QED to support its indirect rates did not “directly match” the overhead rates proposed by QED. *See RFP at 12.* As noted, QED’s provisional overhead rate for 2018 was [DELETED] percent, and its historical overhead rates in the preceding years were even higher. Instead of proposing rates that directly matched its historical overhead rates, QED proposed lower overhead rates based in part on its projections of a direct labor base predicated on future awards, including the award of this task order, events that had not occurred at the time the Army performed its evaluation. The record shows that the Army considered the results of a linear regression analysis to be a more reliable prediction of QED’s overhead rates, and used the low range of the analysis ([DELETED] percent) to compute QED’s probable overhead costs. *AR, Tab 30, QED Final Cost Evaluation, at 6; Tab 44, Decl. of Cost/Price Analyst, ¶ 4.* The record further shows that the Army considered QED’s proposed OCONUS factor relative to its proposed overhead rates, consulted with DCAA, and accepted and applied the OCONUS factor to the results of its linear regression analysis. *Id.* The protester has not demonstrated that the Army’s use of linear regression analysis here was unreasonable. On this record, we find the Army’s evaluation to be unobjectionable.

**Best-Value Tradeoff**

Finally, the protester argues that the Army failed to consider the differences in the offerors’ technical approaches in its best-value tradeoff, and instead, simply awarded the task order to the lowest-priced proposal. *Comments & Supp. Protest at 2-6.* The Army argues that it substantively considered the differences between all offerors’ highly rated proposals and found that no distinguishing factor made any proposal worth a price premium, and thus reasonably concluded that award to the lowest-priced proposal would provide the best value to the government. *Supp. MOL at 1-5.*

Source selection officials have broad discretion in determining the manner and extent to which they will make use of the technical and cost evaluation results; cost and technical tradeoffs may be made, and the extent to which one may be sacrificed for the other is governed only by the test of rationality and consistency with the solicitation’s evaluation criteria. *Booz Allen Hamilton Inc., B-414283, B-414283.2, Apr. 27, 2017, 2017 CPD ¶ 159 at 13-14.* In reviewing protests of an agency’s source selection decision, even in a task order competition as here, we do not reevaluate proposals but examine the record to determine whether the evaluation and source selection decision are reasonable and consistent with the solicitation’s evaluation criteria and applicable procurement laws and regulations. *Intelligent Waves LLC, B-416169, B-416169.2,*
June 12, 2018, 2018 CPD ¶ 211 at 12. Where, as here, technical merit is more important than cost, an agency may properly select a lower-cost proposal if it reasonably decides that the cost premium involved in selecting a higher-cost proposal is not justified. See Integral Consulting Servs., Inc., B-415292.2, B-415292.3, May 7, 2018, 2018 CPD ¶ 170 at 10.

Here, as noted, QED and Vectrus were both rated as acceptable for the first five technical factors and their small business participation plans, and were also both rated as outstanding under the technical approach factor; QED’s most probable cost/price was $126,555,183 and Vectrus’s was $119,732,269. AR, Tab 32, TODD, at 43. In fact, the record shows that seven of the eight offerors considered for award were rated as outstanding under the technical approach factor. Id.

The agency developed a comparative analysis chart to assist in the review, which listed each offerors’ strengths by PWS paragraph. AR, Tab 33, Comparative Analysis. The source selection official explained that the comparative analysis showed that all offerors possessed strengths that offered comparable benefits to the government. AR, Tab 32, TODD, at 43. In the selection decision, the source selection official identified multiple strengths that were common between the seven proposals rated as outstanding, for example, that the proposals provided “an innovative approach/solution to [manage the network]” and “constructive ways to improve upon efficiencies, operations and management processes.” Id. The source selection official also acknowledged that there were differentiating factors in the technical approaches with respect to the methodologies proposed by offerors to accomplish the various PWS requirements. Id. at 44. However, the source selection official concluded that the technical approaches rated as outstanding, including QED’s, “are essentially equivalent to the benefits provided by [Vectrus’s] technical approach and one does not outweigh the other. Therefore, the [g]overnment cannot adequately justify paying a premium for a higher priced offeror with similar strengths that provide the same technical benefits.” Id. at 45. We find nothing unreasonable about the source selection official’s conclusions.

Contrary to the protester’s argument, the record shows that the source selection official recognized that there were unique aspects in the offerors’ proposals. Further, as discussed above, the record does not support QED’s challenges to the agency’s cost realism evaluation. Accordingly, we find no merit to QED’s objections to the selection decision.

The protest is denied.

Thomas H. Armstrong
General Counsel