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# Decision

**Matter of:** Sprezzatura Management Consulting, LLC

**File:** B-420858.2

**Date:** March 6, 2023

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## DIGEST

1. Protest challenging the price realism evaluation of protester's proposal is denied where the agency's use of a standard deviation methodology was reasonable and where the agency properly concluded that the protester's low labor rates presented a risk that warranted its exclusion from further consideration.

2. Protester's proposal was reasonably assessed two weaknesses by the agency, where the proposal failed to include sufficient detail to comply with the solicitation requirements.

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## DECISION

Sprezzatura Management Consulting, LLC, a service-disabled veteran-owned small business (SDVOSB) of McLean, Virginia, protests the award of multiple-award indefinite-delivery, indefinite-quantity (IDIQ) contracts to five different firms<sup>1</sup> under request for proposals (RFP) No. 36C10X21R0022, issued by the Department of Veterans Affairs (VA) for general management and business support services. The protester argues that the agency conducted an unreasonable price realism evaluation, and unreasonably assessed weaknesses to Sprezzatura's technical proposal.

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<sup>1</sup> The awards were made to ReefPoint Group LLC, of Annapolis, Maryland; 640 Acres, LLC, of Gig Harbor, Washington; Advanced Systems Design, Inc., of Tallahassee, Florida; Tenacity Solutions, LLC, of Reston, Virginia; and Washington Business Dynamics, of Washington, D.C. Agency Report (AR), Tab 10, Unsuccessful Offeror's Letter at 1.

We deny the protest.

## BACKGROUND

The agency issued the solicitation on February 8, 2021, for a broad range of general management and business support services and solutions as part of the agency's Veteran Enterprise Contracting for Transformation and Operational Readiness (VECTOR) procurement. Contracting Officer's Statement (COS) at 2; see AR, Tab 3, RFP amend. 2 at 6.<sup>2</sup> Through the VECTOR procurement, the agency sought to award, over several on-ramp periods,<sup>3</sup> multiple-award IDIQ contracts under six service groups: (1) management and improvement; (2) analysis; (3) training; (4) outreach; (5) supply chain; and (6) human resources and staffing. RFP at 6.

As relevant to this protest, under service group 2, the RFP sought services "related to studies and analysis and information and record management." *Id.* at 12. The competition was set aside for SDVOSBs and contemplated the award of IDIQ contracts with a base period from the date of award to August 26, 2023, with one 5-year option period from August 27, 2023, to August 26, 2028. *Id.* at 9. The subsequent task orders were to be issued on a fixed-price or labor-hour basis. *Id.* at 51.

The RFP advised that award would be made on a best-value tradeoff basis considering two evaluation factors: technical capability and price. *Id.* at 54. The technical capability factor would be significantly more important than price. *Id.*

For the technical capability factor, the RFP provided a template form and instructed offerors to address each question under all subtasks applicable to the service group for which the offeror was submitting a proposal. *Id.* at 48. The RFP informed offerors that the technical proposal would be evaluated "to determine the extent to which the offeror is knowledgeable and capable of providing solutions which are appropriate, timely, effective, and efficient, including the offeror's capability to manage a contract of this size and scope." *Id.* at 56. The offeror's successful experience would be factored into the evaluation of its overall technical capability. *Id.* The RFP also stated that the technical capability proposal would be assessed for "the level of confidence provided . . . with respect to the offeror's methods and approach in successfully meeting the anticipated requirements with current technologies, services, and techniques available in the commercial marketplace and innovative strategies that will provide a benefit to the [g]overnment." *Id.*

With respect to price, the RFP instructed offerors to complete a provided price template, which included a Microsoft Excel workbook for each service group. *Id.* at 48. They

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<sup>2</sup> The RFP was amended three times. COS at 2-3. Citations to the RFP in this decision refer to the amended RFP provided at tab 3 of the agency report.

<sup>3</sup> On-ramp procedures refers to a process to add additional offerors to the existing contract.

were required to provide an unburdened hourly rate and a fully burdened hourly rate for each labor category in the service group for which they were submitting a proposal. *Id.* at 49. The RFP informed offerors that the agency would “evaluate proposed labor category hourly rates for price realism,” and “the total of the proposed labor category full[y] burdened rates for price reasonableness.” *Id.* at 56. The RFP provided that the agency would evaluate pricing using the proposal analysis techniques in Federal Acquisition Regulation (FAR) section 15.404-1. *Id.*

By the solicitation closing date of March 1, 2021, the agency received 102 proposals for service group 2, including a proposal from Sprezzatura. COS at 3. Following the technical evaluation team’s evaluation of technical proposals, the contracting officer and the contract specialist conducted a price evaluation of those proposals that met the solicitation requirements. *Id.*

The technical evaluation team assessed Sprezzatura’s proposal a rating of good under the technical capability factor based on finding 14 strengths, 2 weakness, and no deficiencies.<sup>4</sup> AR, Tab 6, Sprezzatura Technical Evaluation Report at 1-3; AR, Tab 10, Unsuccessful Offeror Letter at 3-5. In assessing the rating of good, the agency noted that the protester’s approach “indicates a thorough understanding of the program goals and the methods, resources, schedules, and other aspects essential to the performance of the program.” AR, Tab 6, Sprezzatura Technical Evaluation Report at 3. The agency also noted that the “relative risk associated with the proposed approach is low.” *Id.*

In evaluating price, the agency used a statistical approach, calculating the standard deviation from all proposed labor rates to assess the realism and reasonableness of price proposals. AR, Tab 8, Business Clearance Memorandum at 33. The agency explained its use of the standard deviation methodology as follows:

Two Standard Deviations were used to determine both price realism and price reasonableness. This is a broad range of rates for each category and eliminates only those offeror[s] that were significantly outside of the average rates. This range was chosen as it allows for flexibility in the interpretation of expertise and requirements for each position, allowing offerors broad range to choose the best candidates for a position as the specific requirements may be defined differently from one task to another, but must utilize the same labor categories.

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<sup>4</sup> We note the record is inconsistent with respect to the weaknesses assigned by the agency to Sprezzatura’s proposal: while the technical evaluation report lists only one weakness, the unsuccessful offeror letter issued by the VA advises Sprezzatura of two weaknesses assigned to its technical proposal. *Compare* AR, Tab 6, Sprezzatura Technical Evaluation Report at 1-3 *with* AR, Tab 10, Unsuccessful Offeror Letter. During the protest development process, both the protester and the agency raised arguments related to Sprezzatura’s two weaknesses; accordingly, our decision will review each weakness separately.

For price realism, the offerors' proposed hourly rates had to be within -2 Standard Deviations of the competitive average hourly rate for all labor categories within a proposed Service Group to be considered realistic. Any contractor that was below -2 Standard Deviations of the competitive average hourly rate was determined unrealistic and not eligible for award in that Service Group unless the risk was mitigated by other factors described in each section below. An hourly rate below -2 Standard Deviations increases the chances that an awardee will be unable to recruit and retain qualified, capable staff and therefore increases the risk of unsuccessful performance to an unacceptable level.

*Id.* at 33-34.

Using this methodology, the agency evaluated the unburdened, hourly labor rates proposed by Sprezzatura for the labor categories required under the solicitation and found that the hourly rates proposed for the [DELETED] category were "below - 2 standard deviations of the average hourly rate for multiple Contractor and Government Location Years." *Id.* at 44-45. The agency noted that the [DELETED] was "expected to be a low to moderately used labor category based on the 600 hour quantity used for evaluation," but also noted that the percentage below the acceptable rate was "substantial (between [DELETED] [percent] and [DELETED] [percent]) and would greatly impact the offeror's recruitment and retention ability." *Id.* at 45. The agency further found that the "low risk associated with Sprezzatura Management Consulting's GOOD technical rating does not offset the risk of the understated pricing due to the significant difference in price for the [DELETED], and the number of years/locations affected." *Id.* Accordingly, the agency concluded that Sprezzatura's price proposal was unrealistic. *Id.*

Based on this evaluation, the agency determined that Sprezzatura's proposal was not eligible for award. On November 16, 2022, the agency notified Sprezzatura of its unsuccessful proposal. COS at 4; see AR, Tab 10, Unsuccessful Offeror Letter. After requesting and receiving a debriefing, Sprezzatura filed this protest.

## DISCUSSION

The protester challenges the agency's evaluation of Sprezzatura's price and technical proposals. Sprezzatura principally contends that the VA unreasonably evaluated the realism of one of its proposed labor categories, and improperly used a standard deviation methodology in the evaluation process. Protest at 7-9. In addition, the protester argues that the agency improperly assessed two weaknesses to Sprezzatura's technical proposal. *Id.* at 10-12. The agency argues that its evaluation was reasonable and consistent with the solicitation. For the reasons discussed below, we find no basis to sustain the protest.

We note at the outset that in reviewing a protest challenging an agency's evaluation, our Office will not reevaluate proposals or substitute our judgment for that of the agency, as

the evaluation of proposals is a matter within the agency's discretion. See *SDS Int'l, Inc.*, B-291183.4, B-291183.5, Apr. 28, 2003, 2003 CPD ¶ 127 at 6. Rather, we will review the record to determine whether the agency's evaluation was reasonable and consistent with the stated evaluation criteria and applicable procurement laws and regulations. *MVM, Inc.*, B-407779, B-407779.2, Feb. 21, 2013, 2013 CPD ¶ 76 at 6. A protester's disagreement with the agency's judgment, without more, is insufficient to establish that an evaluation was unreasonable. *Id.* at 5.

### Price Realism Evaluation

Sprezzatura alleges that the agency mechanically applied a standard deviation methodology to assess the realism of Sprezzatura's proposed [DELETED] hourly labor rates. Protest at 7-9; Comments at 2-5. Specifically, the protester argues that, for this labor category, the VA failed to consider available "market" information, and other mitigating factors, to assess whether Sprezzatura could perform at the proposed rates, instead adopting a standard deviation methodology to automatically conclude that the rates were unrealistic. *Id.* Alternatively, even assuming its rates for this labor category were unrealistic, Sprezzatura argues that it did not present a risk that warranted its exclusion from further consideration because it was a single labor category out of over 170 labor categories. In support of this argument, Sprezzatura points out that the VA itself acknowledged that the use of the specific labor category at issue was only "low to moderate," on an annual basis of 600 hours, and accounted for only .5 percent of the total hours proposed for the requirement. Protest at 9, Comments at 6.

The agency responds that the standard deviation methodology was not applied mechanically, but instead was reasonably used as one tool in the agency's price realism assessment of the offerors' labor rates. Memorandum of Law (MOL) at 3. The agency notes that our Office has long considered such a use proper, *i.e.*, not *per se* objectionable. *Id.* (citing *Booz Allen Hamilton, Inc.*, B-414283, B-414283.2, Apr. 27, 2017, 2017 CPD ¶ 159 at 10). Moreover, the VA maintains that it properly assessed the potential risk associated with Sprezzatura's proposal by considering the number of years and locations potentially affected by the unrealistically low labor rates, and reasonably concluded that the low rates would hinder Sprezzatura's ability to recruit and retain candidates under the labor category at issue. *Id.* at 5. Importantly, the VA points out that the contractor recommendations made during performance on this contract for analytical, statistical, and record management services may be subsequently used by senior VA leaders, and hence, it is imperative that the agency minimize the risks of contract performance that might result from unrealistic pricing. *Id.* at 6.

For the reasons discussed below, we find the agency's price realism evaluation reasonable, including its use of a standard deviation methodology, and have no basis to object to the VA's ultimate rejection of Sprezzatura's proposal because of its unrealistic labor rates.

By way of background, the RFP here provided that the agency would evaluate pricing using the proposal analysis techniques in FAR section 15.404-1. RFP at 56. To that

end, the agency employed a statistical approach and calculated a range which represented an average hourly rate for each labor category. To be considered realistic, offerors' proposed hourly rates had to be within the value of two standard deviations from the average hourly rate. AR, Tab 8, Business Clearance Memorandum at 33. At the same time, the agency allowed for an exception from this determination, when offerors' rates were less than one percent below the standard deviation range, and when they were limited to "one rate, for one or two years," out of the eight years remaining on the VECTOR contract. *Id.* at 34.

In its evaluation of Sprezzatura's pricing, the agency found that the protester's [DELETED] rate was "below -2 standard deviations of the average hourly rate [for the labor category at issue] for multiple [c]ontractor and [g]overnment [l]ocation [y]ears." *Id.* at 44-45. The agency noted that the percentage that this fell below the acceptable range was "substantial," that is, "between [DELETED] [percent] and [DELETED] [percent]." *Id.* at 45. Although the VA acknowledged that the anticipated use of this labor category was "low to moderate[] . . . based on the 600 hour quantity used for evaluation[,]," the agency nevertheless determined that the proposed rates for the labor category were unrealistically low. *Id.* The agency specifically found that such a low hourly rate for the [DELETED] labor category could potentially negatively affect the "offeror's recruitment and retention ability" of this labor category in performance of the VECTOR contract. *Id.*

As a general matter, when awarding a fixed-price contract, an agency is only required to determine whether the offered prices are fair and reasonable. See FAR 15.402(a). An agency may, however, provide in a solicitation for a fixed-price contract that the agency will conduct a price realism analysis for the limited purposes of assessing whether an offeror's low price reflects a lack of technical understanding or performance risk. See FAR 15.404-1(d)(3); *SKE Italy Srl*, B-414884.3, Jan. 24, 2018, 2018 CPD ¶ 37 at 6. The nature and extent of an agency's price realism analysis are matters within the agency's discretion. *SKE Italy Srl, supra*; *AMEC Earth & Env'tl., Inc.*, B-404959.2, July 12, 2011, 2011 CPD ¶ 168 at 8. Our review of a price realism analysis is limited to determining whether it was reasonable and consistent with the terms of the solicitation. *Smiths Detection, Inc.; Am. Sci. & Eng'g, Inc.*, B-402168.4 *at al.*, Feb. 9, 2011, 2011 CPD ¶ 39 at 17. A protester's disagreement with the nature and extent of an agency's price realism methodology does not provide a basis on which to sustain a protest. See *BillSmart Solutions, LLC*, B-413272.4, B-413272.5, Oct. 23, 2017, 2017 CPD ¶ 325 at 10.

Based on our review of the record, we have no reason to object to the VA's use of a standard deviation methodology or its price realism evaluation conclusions more generally. At the outset, we note that the VA's adoption of two standard deviations as its benchmark provided for a wide range of acceptable, *i.e.*, potentially realistic, rates for each respective labor category. In this regard, we agree with the agency that establishing such wide parameters for the VA's assessment of realistic prices provides for "broad range of rates for each category" and "eliminates only those offeror[s] that

were significantly outside of the average rates.” AR, Tab 8, Business Clearance Memorandum at 33.

We also agree with the agency that its use of a standard deviation methodology did not amount to using a mechanical threshold because--contrary to Sprezzatura’s assertions--the agency conducted additional analysis once a labor rate was determined to be lower than the minimum deviation. In this regard, the record demonstrates that, prior to concluding that the protester’s price was unrealistically low, the agency considered other information relating to the labor category pricing, including the impact on recruitment and retention, the number of locations affected, and the number of years potentially affected. See *id.* at 45; see also *Booz Allen Hamilton, Inc., supra.*

Sprezzatura further argues that the VA’s price realism analysis was unreasonable because the agency failed to consider that the instant procurement was an “on-ramp[]” acquisition. Protest at 8. In this regard, Sprezzatura notes that it already holds a VECTOR contract for service group 1, with the same rates as proposed for this procurement. *Id.* The protester argues that the VA should have recognized, had it conducted a non-mechanical evaluation, that “the market demonstrated Sprezzatura could perform at the rate proposed.” *Id.*

As discussed above, however, the nature of the analysis required to assess whether an offeror’s proposed price is so low as to reflect a lack of competence or understanding is generally a matter within the agency’s discretion. See *AMEC Earth & Envtl., Inc., supra.* Absent a specific provision in a solicitation, agencies are not required to conduct price realism analyses using any particular methodology. *NTT DATA Servs. Fed. Gov., Inc., B-417235.2, B-417235.3, Jan. 2, 2020, 2020 CPD ¶ 19 at 4.* For example, our Office has explained that agencies are not required to conduct a price realism analysis based on a comparison of an offeror’s prices to the incumbent rates or the prices proposed by the incumbent contractor. *The Arcanum Group, Inc., B-413682.2, B-413682.3, Mar. 29, 2017, 2017 CPD ¶ 270 at 6; RELI Grp., Inc., B-418005, Dec. 23, 2019, 2020 CPD ¶ 53 at 5.* Additionally, as the VA correctly points out, the solicitation here specifically provided for a price realism evaluation of “proposed labor category hourly rates,” and did not call for a comparison of such rates to the rates on VECTOR contracts awarded in the past. COS at 6; see also RFP at 56. The agency also notes that awards from the initial VECTOR procurement were made in 2017, and therefore do not provide a valid basis for current comparison. MOL at 5-6. Finally, the VA explains that the solicitation was clear that future “on-ramping” would be conducted pursuant to a new procurement, and the RFP did not commit the agency to considering the pricing information of current VECTOR contract holders for other service groups. COS at 6; see also RFP at 6.

Next, Sprezzatura contends that the risks created by one allegedly unrealistic labor category did not warrant the exclusion of its proposal from further consideration. Protest at 9. Sprezzatura notes that this labor category--out of over 170 total labor categories--accounted for only .5 percent of the total annual hours, and as such, represents a *de minimis* percentage of the overall work to be performed. *Id.* Additionally, the protester asserts that the agency unreasonably concluded that any

potential risk created by this one labor category was not outweighed by the 14 strengths assigned to Sprezzatura's technical proposal. *Id.*; Comments at 5-6.

We find no merit to this argument. While we note that the record documenting the agency's decision in this regard is somewhat sparse, it does, nevertheless, provide a sufficient rationale for the agency's conclusion.

As an initial matter, the VA's business clearance memorandum states that "[t]he percentage [that the labor rate was] below the acceptable rate is determined substantial (between [DELETED] [percent] and [DELETED] [percent]) and would greatly impact the offeror's recruitment and retention ability." AR, Tab 8, Business Clearance Memo. at 45. The record further documents that due to this significant pricing difference, as well as the number of years and locations potentially affected, the risk associated with Sprezzatura's unrealistically low price is not offset by the protester's good-rated technical proposal. *Id.* Moreover, while the protester argues that the impact of this one unrealistic labor category should be viewed as *de minimis*, we note that our previous price realism decisions finding labor rate disparities to be *de minimis* involved substantially smaller hourly labor rate differences. See, e.g., *Computer World Servs. Corp.*, B-418287, B-418287.2, Feb. 26, 2020, 2021 CPD ¶ 291 at 6 (the difference between the protester's labor rate of \$59.62, as compared to the labor rate of \$60.00, estimated by the agency, was *de minimis*, where that rate concerned a single, part-time employee, working for 160 hours in the base period, and only 120 hours per year thereafter).

Further supporting the importance of the [DELETED] position, the VA has emphasized that successful performance of the contract will require "exceptionally specialized knowledge, experience, and expertise to proficiently gather the data and provide actionable recommendations for senior executives in VA to make major decision[s] on numerous programs across the enterprise." AR, Tab 8, Business Clearance Memo. at 55; see also MOL at 6. In light of the importance of data management to the successful performance of this requirement, we have no basis to question the agency's decision to exclude Sprezzatura's proposal due to the unrealistic labor rates proposed by the protester for the [DELETED] position. Accordingly, this protest ground is denied.

#### Technical Evaluation

The protester also contends that the agency improperly assigned two weaknesses to its technical proposal. Protest at 10-12. With respect to the first weakness--for not including dates in describing the protester's experience--Sprezzatura alleges that the RFP did not require offerors to provide such dates, and that the agency therefore applied unstated evaluation criteria in the evaluation process. *Id.* at 10-11. The protester also challenges its second weakness, for not providing details about the "impact [of its past work] on VA . . . in terms of successes and challenges," arguing that the agency failed to reasonably read Sprezzatura's proposal. *Id.* at 11.



In response, the agency asserts that assigning these two weaknesses was reasonable because Sprezzatura failed to provide sufficient details describing its prior experience with, and method for, “analyzing existing data or information, statistical analysis of data collected, and outcome measures[,]” as required by the solicitation. MOL at 7; see AR, Tab 5, Sprezzatura’s Proposal at 5. The VA points out that the technical capability narrative template instructions specifically advised offerors to address questions in the template as “thoroughly as possible,” and that Sprezzatura failed to provide sufficient detail in its responses. MOL at 7; AR, Tab 5, Sprezzatura’s Proposal at 3. The agency also explains that the contracting officer ultimately considered these two weaknesses minor, and as such, these weaknesses had no impact on Sprezzatura’s final technical rating of good. MOL at 7, *also see* AR, Tab 6, Sprezzatura Technical Evaluation Report at 3.

Based on our review of the record, we find that the agency’s evaluation was reasonable. With respect to the first weakness, although agencies are required to identify in a solicitation all major evaluation factors, they are not required to identify all areas of each factor that might be taken into account in an evaluation. *Northrop Grumman Sys. Corp.*, B-414312 *et al.*, May 1, 2017, 2017 CPD ¶ 128 at 12. Instead, the agency may evaluate proposals based on unidentified areas provided that the areas are reasonably related to, or encompassed by, the established factors. *Id.* We find that including dates for experience examples was reasonably encompassed by the stated evaluation criteria. In this regard, such dates directly relate to whether the described experience is recent, as required by the RFP, and therefore indicative of the offeror’s current capabilities. See RFP at 42.

With respect to the second weakness, we have consistently stated that it is an offeror’s responsibility to submit a well-written proposal, with adequately detailed information that allows a meaningful review by the procuring agency. *Peraton, Inc.*, B-417088, B-417088.2, Feb. 6, 2019, 2019 CPD ¶ 190 at 14. Here, while the protester’s proposal stated that “[t]eam Sprezzatura possesse[d] years of data analysis experience at VA,” it failed to describe the outcomes of its past work, as required by the solicitation. AR, Tab 5, Sprezzatura’s Proposal at 6; see *also* RFP at 54 (requiring offerors to describe their successful experience providing effective solutions). As such, the underlying record confirms the agency’s conclusion that Sprezzatura’s proposal lacked detail explaining its past successes and challenges on VA projects.

To the extent Sprezzatura argues that the agency should have inferred this outcome information, we disagree. Agencies are not required to infer information from an inadequately detailed proposal or information that the protester elected not to provide. *Optimization Consulting, Inc.*, B-407377, B-407377.2, Dec. 28, 2012, 2013 CPD ¶ 16 at 9 n.17.

In summary, the record shows that the agency reasonably considered the information included in Sprezzatura’s proposal, ultimately finding 14 strengths and 2 minor weakness based on that information. We see no basis to object to the agency’s concerns and evaluation conclusions in this regard. The protester’s disagreement with

the agency's judgment, by itself, does not establish that the evaluation was unreasonable. See *STG, Inc.*, B-405101.3 *et al.*, Jan. 12, 2012, 2012 CPD ¶ 48 at 7.

The protest is denied.

Edda Emmanuelli Perez  
General Counsel