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Comptroller General
of the United States

United States Government Accountability Office
Washington, DC 20548

Decision

Matter of: Partnership for Supply Chain Management

File: B-411490; B-411490.2

Date: August 11, 2015

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DIGEST

1. Protest alleging discussions regarding protester's technical proposal were misleading and not meaningful is denied where record reflects technical issues underlying agency's evaluation findings either were raised in discussions or introduced in protester's proposal after discussions concluded.

2. Protest challenging agency's evaluation of protester's technical proposal is denied where record reflects evaluation was reasonable and consistent with solicitation's evaluation criteria.

3. Protest against agency's cost realism analysis of awardee's proposal is denied where record reflects agency reasonably evaluated awardee's proposed costs, taking into account awardee's technical approach and cost estimating methodology.

DECISION

Partnership for Supply Chain Management (PfSCM), of Arlington, Virginia, protests the award of a contract and issuance of three task orders to Chemonics International Inc., of Washington, D.C., by the United States Agency for International Development (USAID) under request for proposals (RFP)

No. SOL-OAA-12-000128 for services to support the agency's Global Health Supply Chain (GHSC) program. PfSCM alleges that the agency's discussions with the firm were misleading and not meaningful, and that its evaluation of proposals was unreasonable in various respects.

We deny the protest.

BACKGROUND

The solicitation, issued on January 6, 2014, contemplated the award of a single indefinite-delivery/indefinite-quantity (ID/IQ) contract with a five year ordering period and a $9.5 billion maximum ordering limitation. RFP at 6, 46.[1] The solicitation provided that upon award of the ID/IQ contract, the agency would issue three cost-plus-fixed-fee task orders, each with a five-year period of performance. Id. at 6.

The solicitation included a statement of work (SOW) that set forth numerous requirements for support of the GHSC program.[2] RFP at 12-41. At the highest level, the SOW described the requirements as twofold. First, the contract would "serve as the primary vehicle through which USAID will procure and provide health commodities for all USAID health programs." Id. at 12. Second, the contract would "provide systems strengthening technical assistance to improve supply chain management and commodity security in partner countries." Id.

With respect to the first requirement (the procurement and provision of health commodities for USAID health programs) and a portion of the second requirement (supply chain management systems strengthening technical assistance), the solicitation stated that the services currently are provided under two ID/IQ contracts known as Supply Chain Management System (SCMS) and DELIVER PROJECT. RFP at 14. The solicitation informed offerors that the current prime contractors under the SCMS and DELIVER contracts are PfSCM and John Snow, Inc. (JSI), respectively. JSI is one of two partners that make up PfSCM. Protest at 4. Hence, PfSCM is, in effect, the incumbent contractor for the procurement.

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[1] Citations to the solicitation refer to RFP amendment No. 0001, which was a complete, "conformed" version that incorporated various changes. Additionally, because the voluminous record in this protest was produced in an electronic format, all page citations herein are to .pdf page numbers, rather than any numbers that may appear on the face of the pages themselves.

[2] The solicitation included separate SOWs for each of the three task orders that were to be issued upon award. See RFP at 103. These task orders were to support programs involving HIV/AIDS, the President's Malaria Initiative, and population and reproductive health. Id.

The solicitation provided that award would be made on a best-value tradeoff basis considering cost/price and the following six non-price factors, listed in descending order of importance: global commodity procurement and logistics; systems strengthening; management; global collaboration; past performance; and use of small business. RFP at 146. The solicitation stated that the non-price factors, when combined, were significantly more important than cost/price. Id.

Four of the six non-price factors included subfactors. RFP at 146. As relevant here, factor 1, global commodity procurement and logistics, included the following four subfactors, listed in descending order of importance: health commodity procurement; logistics; health commodity quality assurance; and data visibility. Id. at 147-48.

The solicitation provided that the cost/price evaluation would be based on the total cost proposed for the three task orders that were to be issued upon award. RFP at 151. The solicitation also provided that the proposed costs would be evaluated for reasonableness and realism. Id.

The agency received two proposals in response to the solicitation--one from PfSCM and one from Chemonics. Agency Report (AR), Tab 47, Source Selection Decision Document (SSDD), at 3. Following an initial evaluation of the proposals, the agency conducted two rounds of discussions. After requesting and receiving final proposal revisions (FPR), a technical evaluation committee (TEC) assigned final proposal ratings under each evaluation factor and subfactor.[3] The table below shows the final factor ratings, as well as the final subfactor ratings under factor 1.[4] The table also shows each offeror's proposed cost and most probable cost as calculated by the agency.[5]

[3] The available ratings were outstanding, very good, good, poor, and unacceptable. AR, Tab 9, TEC Proposal Evaluation Instructions, at 8-9.

[4] The other subfactor ratings are not shown because they are not material to this decision. We note, however, that for nearly all of the other subfactors, both proposals were assigned equal ratings of very good. AR, Tab 47, SSDD, at 9.

[5] The costs shown in the table do not include costs for the healthcare commodities to be purchased under the contract, or costs for freight, warehousing, security, and insurance. AR, Tab 47, SSDD, at 38; Contracting Officer's Statement at 3. For these costs, the agency applied an equal "plug number" amount of $4.266 billion to each offeror's proposal. AR, Tab 47, SSDD, at 38; RFP at 138-39.

	PfSCM	CHEMONICS
Factor 1--Global Commodity Procurement and Logistics	**Good**	**Very Good**
Subfactor 1--Health Commodity Procurement	**Very Good**	**Very Good**
Subfactor 2--Logistics	**Good**	**Outstanding**
Subfactor 3--Health Commodity Quality Assurance	**Outstanding**	**Very Good**
Subfactor 4--Data Visibility	**Poor**	**Outstanding**
Factor 2--Systems Strengthening	**Very Good**	**Very Good**
Factor 3--Management	**Very Good**	**Very Good**
Factor 4--Global Collaboration	**Very Good**	**Very Good**
Factor 5--Past Performance	**Very Good**	**Very Good**
Factor 6--Use of Small Business	**Outstanding**	**Outstanding**
OVERALL PROPOSAL RATING	**VERY GOOD**	**VERY GOOD**
Proposed Cost	**$813,289,900**	**$764,330,442**
Most Probable Cost	**$812,866,344**	**$765,996,537**

AR, Tab 47, SSDD, at 9, 39.

After reviewing the technical evaluation materials--including a lengthy report from the TEC--and the cost proposals, the contracting officer, who also served as the source selection authority, documented a best value determination. AR, Tab 47, SSDD, at 2, 55-56. In doing so, he noted that Chemonics's proposal was evaluated as having both a lower proposed cost and lower most probable cost. Id. at 55. He noted also that both proposals were assigned equal overall ratings of very good. Id. at 52. However, he found Chemonics's proposal to be superior to PfSCM's proposal, based largely on the evaluation results under factor 1, global commodity procurement and logistics.[6] In this regard, the contracting officer concluded that the evaluation findings under subfactor 1.2, logistics, and subfactor 1.4, data visibility, distinguished the two proposals.[7] Id. He then documented specific reasons why, in

[6] The contracting officer noted that factor 1 was the most important factor under the solicitation's evaluation scheme and that "the work associated with [factor 1] is the primary purpose of the contract." AR, Tab 47, SSDD, at 52.

[7] As shown in the table above, under subfactor 1.2, Chemonics's proposal was evaluated as outstanding, whereas PfSCM's proposal was evaluated as good. AR, Tab 47, SSDD, at 9. As also shown in the table, under subfactor 1.4, Chemonics's proposal was evaluated as outstanding, whereas PfSCM's proposal was evaluated as poor. Id.

his view, Chemonics's proposal was superior to PfSCM's proposal under these two subfactors. AR, Tab 47, SSDD, at 52-55. Finally, upon finding that Chemonics's proposal offered both cost and technical advantages over PfSCM's proposal, the contracting officer determined that Chemonics's proposal represented the best value to the government. Id. at 55-56.

Based on this determination, Chemonics was selected for award of the ID/IQ contract, and the three task orders were issued to the firm. Contracting Officer's Statement at 5. After being notified of the award, PfSCM received a debriefing, id. at 5-6, and then filed a protest with our Office.

DISCUSSION

PfSCM alleges that the agency's discussions with the firm were flawed and that its evaluation of proposals was unreasonable in various respects. We have carefully considered all of PfSCM's arguments, and we conclude, based on the record, that none have merit. To illustrate, below we discuss a selection of PfSCM's contentions.

Discussions

PfSCM's leading allegation is that the rating of poor assigned to the firm's proposal under subfactor 1.4, data visibility, reflects that the agency's discussions with the firm were misleading and not meaningful. Protest at 12-20; Comments at 3, 6-12; Supp. Comments at 14-18.

When discussions are conducted, they must identify deficiencies and significant weaknesses in an offeror's proposal. Federal Acquisition Regulation (FAR) § 15.306(d)(3); Metro Mach. Corp., B-295744, B-295744.2, Apr. 21, 2005, 2005 CPD ¶ 112 at 19. Further, discussions must be meaningful, equitable, and not misleading. Metro Mach. Corp., supra. To be meaningful, discussions must be sufficiently detailed to lead an offeror to the areas of its proposal requiring amplification or revision. The Boeing Co., B-409941, B-409941.2, Sept. 18, 2014, 2014 CPD ¶ 290 at 9; Metro Mach. Corp., supra. However, where a weakness is first introduced in an offeror's FPR after discussions were concluded, the agency has no obligation to reopen discussions to address the new weakness. The Boeing Co., supra; Smiths Detection, Inc., B-298838, B-298838.2, Dec. 22, 2006, 2007 CPD ¶ 5 at 13 n.13.

As relevant to PfSCM's claim, the solicitation provided that under subfactor 1.4, the agency would evaluate:

> The degree to which the offeror demonstrates capability, quality and appropriateness of the proposed information technology [(IT)] system(s). More specifically, the offeror:

(i) Demonstrates capability to automate procedures required in [SOW] Section C.2, with Information System(s).

(ii) Proposes a mature, stable, flexible, and scalable IT system(s).

(iii) Proposes [IT] system(s) that has a function fit, including customizations, to the requirements described in [SOW] Section C.2.

RFP at 148. The contracting officer describes the IT system being evaluated under this subfactor as "integral to all aspects of the award, from ensuring quality-assured commodities are procured and delivered in a timely fashion, to ensuring no shortages or stockouts occur[,] and to passing along important data to other GHSC program contracts for such critical functions as quality assurance and business intelligence and analytics." Contracting Officer's Statement at 7.

In its initial proposal, PfSCM proposed the [DELETED] enterprise resource planning system (ERP)[8] that currently is supporting the predecessor SCMS and DELIVER contracts. Protest at 13-14; Comments at 6. After evaluating this aspect of PfSCM's proposal, the TEC assigned the proposal a rating of good under subfactor 1.4. AR, Tab 44, Add. to TEC Mem., at 76. The agency then conducted an initial round of discussions with both offerors. In its discussions with PfSCM, the agency raised various concerns regarding PfSCM's proposed use of the [DELETED] ERP. AR, Tab 17, Agency Discussions Ltr. to PfSCM (Sept. 11, 2014), at 63-65.

In response, PfSCM acknowledged the agency's concerns regarding the [DELETED] ERP and proposed to instead begin to "configur[e] and transition" to a "new, state-of-the-art ERP" upon award. AR, Tab 24, PfSCM Response to Technical Discussions Items (Oct. 8, 2014), at 36-37. After evaluating PfSCM's response, the TEC found the new ERP was "inadequately or vaguely described." AR, Tab 44, Add. to TEC Mem., at 62. Based on this issue, the TEC documented that it was "unable to understand or evaluate the full capability of what PFSCM is proposing as [a] solution for the GHSC program." Id. For this reason, the TEC identified the proposed ERP solution as a deficiency and changed PfSCM's rating under subfactor 1.4 to unacceptable. Id. Additionally, in the second round of discussions that followed, the agency presented the issue to PfSCM, requesting "far more detailed information" than PfSCM had provided. AR, Tab 28, Agency Discussions Ltr. to PfSCM (Dec. 16, 2014), at 5-7.

[8] The contracting officer describes an ERP as "business management software that serves to collect, store, manage, and interpret data." Contracting Officer's Statement at 6.

PfSCM responded by proposing a process under which its existing system would be "configured to meet the needs of all task orders and the overall GHSC project," with the firm then later "considering a new ERP and/or other enhancements in partnership with our clients." AR, Tab 39, PfSCM Response to Technical Discussions Items (Jan. 7, 2015), at 11-14. PfSCM's response also included additional technical details regarding the proposed system. Id. at 13-15. After evaluating this response, the agency assigned PfSCM's proposal a final rating of poor under subfactor 1.4. AR, Tab 44, Add. to TEC Mem., at 76.

PfSCM claims that the rating of poor shows that use of the [DELETED] ERP was never "a viable . . . solution" in the agency's eyes, and that the agency always viewed use of the [DELETED] ERP as "a significant deficiency that would stand in the way of PfSCM's being awarded the . . . contract." Comments at 6, 8-9. PfSCM further claims that since the agency never informed the firm that use of the [DELETED] ERP would, in essence, preclude award to the firm, the discussions regarding subfactor 1.4 were misleading and not meaningful. Id. at 6, 8, 12.

The agency counters that it did not consider the [DELETED] ERP "non-viable" and that this is reflected by the initial rating of good that was assigned to PfSCM's proposal under subfactor 1.4. Contracting Officer's Supp. Statement at 3. The agency also contends that PfSCM's final rating of poor under subfactor 1.4 reflects issues that either were raised in the initial round of discussions or issues that PfSCM introduced into its proposal after discussions concluded. For the reasons discussed below, we agree with the agency.

The record reflects that PfSCM's final rating of poor under subfactor 1.4 was based on two significant weaknesses and two weaknesses. AR, Tab 44, Add. to TEC Mem., at 91-95, 112-19. The first significant weakness concerned the TEC's view that PfSCM's proposed system lacked flexibility.[9] Id. at 114-16. However, one of the items presented in the agency's first round of discussions with PfSCM stated: "the systems that currently support SCMS and DELIVER supply chains . . . lack flexibility." AR, Tab 17, Agency Discussions Ltr. to PfSCM (Sept. 11, 2014), at 63. In this same round of discussions the agency also advised PfSCM as follows:

> As evidenced by their implementation in other [United States government] projects, the proposed systems are not sufficiently flexible to cost-effectively adapt to USAID's requirements, especially as these requirements change over the course of this award, making for expensive maintenance costs and making any customizations unreasonably expensive. Such inflexibility in the proposed systems is

[9] As shown above, the solicitation provided that under subfactor 1.4, the agency would evaluate, among other things, the degree to which an offeror's system was flexible. RFP at 148.

> a weakness, especially when new functionality is required, which is highly probable over the life of the new award.

AR, Tab 17, Agency Discussions Ltr. to PfSCM (Sept. 11, 2014), at 63. Thus, the record reflects that in the first round of discussions, the agency raised the issue of system flexibility with PfSCM. As stated above, this was the issue underpinning the first significant weakness assigned to PfSCM's proposal.

As another example, the second significant weakness assigned to PfSCM's proposal under subfactor 1.4 concerned the TEC's finding that PfSCM "place[d] caveats and conditions on the Government" that "introduce[d] additional performance risk." AR, Tab 44, Add. to TEC Mem., at 119. This finding was based on a statement in PfSCM's response to the second round of discussions that "[a]ny future replacement of any component of our systems would be implemented only with the willing participation of all of our clients."[10] AR, Tab 39, PfSCM Response to Technical Discussions Items (Jan. 7, 2015), at 13. However, there is no indication--and PfSCM has offered nothing to show--that this language appeared in any PfSCM submission prior to the final round of discussions. Thus, the record reflects that the proposal content that triggered this significant weakness was introduced after discussions concluded.

In sum, the record reflects that the issues underlying the significant weaknesses and weaknesses assigned to PfSCM's proposal under subfactor 1.4 either were raised in discussions or were introduced into PfSCM's proposal after discussions concluded. Accordingly, PfSCM's claim that discussions were misleading or not meaningful is denied.[11]

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[10] Similarly, and as stated above, PfSCM's discussions response also stated that the firm would "consider[] a new ERP and/or other enhancements in partnership with our clients." AR, Tab 39, PfSCM Response to Technical Discussions Items (Jan. 7, 2015), at 11.

[11] PfSCM also alleges that discussions under subfactor 1.4 were not meaningful because as part of the significant weakness regarding the lack of system flexibility, the agency criticized PfSCM's proposed placement of several software tools. Comments at 7-8 (citing AR, Tab 44, Add. to TEC Mem., at 92, 114); Supp. Comments at 15-18. The agency contends this issue was not apparent until discussions concluded and PfSCM provided additional detail regarding its system architecture. See Contracting Officer's Supp. Statement at 4. PfSCM has not cited any specific information in its initial proposal to show the issue was apparent at the outset. Further, the record shows that PfSCM's FPR included substantially more detail regarding PfSCM's system than the initial proposal. See AR, Tab 40, PfSCM FPR, Technical Vol., at 166-68, 183-201, 205-30 (providing nearly 40 new pages of narrative, tables, and diagrams detailing PfSCM's system and its implementation). Finally, this issue is just one component--and a comparatively minor one--of the

(continued...)

Technical Evaluation

PfSCM also challenges the agency's technical findings under subfactor 1.4. As stated above, subfactor 1.4 concerned data visibility, and the solicitation provided that under this subfactor, the agency would evaluate the "capability, quality and appropriateness" of an offeror's IT system, as well as the degree to which the system is "mature, stable, flexible, and scalable." RFP at 148. As also stated above, PfSCM's proposal was assigned a significant weakness under subfactor 1.4 based on the TEC's view that PfSCM's system lacked flexibility. AR, Tab 44, Add. to TEC Mem. at 114-16. One component of this significant weakness was PfSCM's application of "business rules [DELETED]."[12] Id. at 114-15.

PfSCM argues that this aspect of the evaluation was unreasonable because the firm's proposal "clearly stated that the application of [DELETED] business rules was an *interim* approach to facilitate transition while USAID clarified its operational and strategic needs for the GHSC program." Comments at 14 (emphasis in original); see also Protest at 21-22; Supp. Comments at 18-19. PfSCM further argues that the agency's finding was unreasonable because "at least some of [the [DELETED] business rules] will almost assuredly overlap with those necessary for the new contract," which, according to PfSCM, means that PfSCM can more smoothly perform during the transition period than Chemonics. Comments at 15.

In reviewing protests of an agency's evaluation of an offeror's technical proposal, our Office does not reevaluate proposals; rather, we review the evaluation to determine if it was reasonable, consistent with the solicitation's evaluation scheme, as well as procurement statutes and regulations, and adequately documented. Wackenhut Servs., Inc., B-400240, B-400240.2, Sept. 10, 2008, 2008 CPD ¶ 184 at 6. An offeror's disagreement with the agency's evaluation does not establish the evaluation was unreasonable. Ben-Mar Enters., Inc., B-295781, Apr. 7, 2005, 2005 CPD ¶ 68 at 7.

The TEC documented its concerns regarding PfSCM's proposed use of [DELETED] business rules in part as follows:

> By putting forward [DELETED] business rules "in the meantime," there is risk [of] cost-prohibitive adjustments to the ERP. [DELETED]

(...continued)
significant weakness regarding the lack of system flexibility. See AR, Tab 44, Add. to TEC Mem., at 114-16. For these reasons, this allegation furnishes no basis on which to sustain the protest.

[12] Discussion of the use of [DELETED] business rules was introduced in PfSCM's FPR. See AR, Tab 40, PfSCM FPR, Technical Vol., at 184.

> business rules . . . would limit the ability for further customizations[;] were designed to support a single health program (HIV/AIDS)[;] and are insufficient to support the detailed business requirements of a consolidated GHSC program, which represents supply chains for not just HIV/AIDS but a consolidation also including family planning, malaria, and other priority health programs. As stated in [SOW] Section C.2.4 the IT system is intended to achieve cost efficiencies which would not be possible due to the complex and inflexible proposed system. The [system] must have the flexibility to support both new, harmonized processes (that will not necessarily be in line with how [DELETED] currently does business) and processes that may differ between programs, where harmonization is not desirable. . . . The imposition of [DELETED] business rules raises the risk of forcing programs, like the President's Malaria Initiative, to adopt process changes not aligned with their unique needs.

AR, Tab 44, Add. to TEC Mem., at 115.

As stated above, PfSCM argues that the agency's findings were unreasonable because PfSCM proposed use of [DELETED] business rules on only an interim basis. Protest at 21-22; Comments at 13-15; Supp. Comments at 18-19. It is undisputed, however, that PfSCM proposed to use [DELETED] business rules. The record reflects that the TEC identified and documented reasonable concerns regarding the use of such rules in the program that the contract was to support. AR, Tab 44, Add. to TEC Mem., at 115. Additionally, the TEC's concerns relate to the subfactor 1.4 evaluation criterion regarding the degree to which the proposed system is mature, flexible, and appropriate for meeting the SOW requirements. See RFP at 148. For these reasons, we see no merit to PfSCM's claim.

As another challenge against the agency's evaluation under subfactor 1.4, PfSCM argues that the significant weakness assigned to its proposal for a performance risk related to "caveats and conditions" in PfSCM's proposal was based on a misreading of the proposal. Protest at 24-26; Comments at 15-17; Supp. Comments at 19-21.

As discussed above, the TEC assessed the performance risk based on a statement in PfSCM's final discussions submission that "[a]ny future replacement of any component of our systems would be implemented only with the willing participation of all of our clients." AR, Tab 39, PfSCM Response to Technical Discussions Items (Jan. 7, 2015), at 13. In documenting the significant weakness, the TEC stated that "[t]he interests of other PFSCM clients should not be relevant to making such critical decisions under what would be a contract between USAID and PFSCM." AR, Tab 44, Add. to TEC Mem., at 119. PfSCM argues that "[t]he fact that PFSCM proposed to make any change of ERP consistent with the needs of its other customers . . . simply reflects that PFSCM would act responsibly to all its customers (including other USAID programs), not that it would in any way diminish its commitment to fully perform the GHSC contract." Comments at 16-17.

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. Mike Kesler Enters., B-401633, Oct. 23, 2009, 2009 CPD ¶ 205 at 2-3. An offeror runs the risk that a procuring agency will evaluate its proposal unfavorably where it fails to do so. Int'l Med. Corps, B-403688, Dec. 6, 2010, 2010 CPD ¶ 292 at 7.

Here, we find it reasonable for the TEC to have interpreted the language in PfSCM's submission as placing an undesirable condition--and therefore a performance risk--on the future enhancement of the IT system at the center of contract performance. As stated above, the subfactor 1.4 evaluation criteria included consideration of the fitness, function, and flexibility of the proposed system. RFP at 148. Accordingly, we see no basis to question the TEC's conclusion that the language in PfSCM's submission warranted a significant weakness.

Cost Realism Evaluation

PfSCM alleges that the agency's cost realism evaluation was flawed for a number of reasons. PfSCM's leading allegation is that Chemonics's proposed training costs were not realistic. Comments at 56-67; Supp. Comments at 41-48. In support of this claim, PfSCM calculates that it proposed approximately $[DELETED] in training costs, compared to approximately $[DELETED] proposed by Chemonics. Comments at 59-62. PfSCM argues that because it is the incumbent, it is "intimately familiar" with what is required for training, whereas Chemonics "had no idea about the amount of training that would be required." Comments at 58-60. PfSCM also argues that Chemonics's training costs cannot be realistic because Chemonics proposed the use of some training materials and regional training institutes that are used on the incumbent contracts, without explaining how it could do so for a significantly lower price than the incumbent. Comments at 64-65; Supp. Comments at 44-45.

A cost realism analysis is the process of independently reviewing and evaluating specific elements of each offeror's proposed cost estimate to determine whether the estimated proposed cost elements are realistic for the work to be performed; reflect a clear understanding of the requirements; and are consistent with the unique methods of performance and materials described in the offeror's technical proposal. FAR § 15.404-1(d)(1). Agencies are required to perform such an analysis when awarding cost-reimbursement contracts to determine the probable cost of performance for each offeror. Id. § 15.404-1(d)(2). Agencies are given broad discretion to make cost realism evaluations. Tridentis, LLC, B-410202.2, B-410202.3, Feb. 24, 2015, 2015 CPD ¶ 99 at 7; Burns & Roe Indus. Servs. Co., B-233561, Mar. 7, 1989, 89-1 CPD ¶ 250 at 2. Consequently, our review of an agency's cost realism evaluation is limited to determining whether the cost analysis is reasonably based and not arbitrary. Tridentis, LLC, supra; Jacobs COGEMA, LLC, B-290125.2, B-290125.3, Dec. 18, 2002, 2003 CPD ¶ 16 at 26.

Based on the record here, we see no basis to disturb the agency's cost realism evaluation. As an initial matter, we note that training was a component of the SOW's "systems strengthening" requirements. See RFP at 34-35. We note also that the training costs at issue in PfSCM's claim consist only of other direct costs (ODC) related to training, such as transportation, lodging, and per diem--not the costs of the training itself. See AR, Tab 46, Cost Realism Add., at 13-15, 17, 27, 29. Hence, an offeror's technical approach could involve training-related activities and costs that are not included in the ODCs at issue in PfSCM's claim.

In response to the claim, the contracting officer states that the dollar difference between the two offerors' training ODCs reflects "numerous structural factors, including a different approach [by Chemonics] to systems strengthening that does not heavily emphasize training [and that] reduc[es] the underlying needs for training and using established curricula." Contracting Officer's Supp. Statement at 43. The contracting officer describes Chemonics's approach as follows:

> [DELETED].

Id. at 40 (citing AR, Tab 35, Chemonics FPR, Technical Vol., at 63) (internal citations omitted).

The contracting officer also responds that the agency scrutinized Chemonics's training ODCs through discussions and ultimately deemed them realistic based on the firm's technical approach. Contracting Officer's Supp. Statement at 39-40, 42. Finally, the contracting officer points out that PfSCM's training ODCs initially were evaluated as excessive, but that the agency ultimately concluded they should not be adjusted because they were consistent with the firm's technical approach. Id. at 45.

As detailed below, the contracting officer's statements are borne out by the record. During discussions, the agency informed PfSCM that its cost proposal "indicated approximately $[DELETED] is allocated for training [ODCs]." AR, Tab 28, Agency Discussions Ltr. to PfSCM (Dec. 16, 2014), at 35. The agency also informed PfSCM that the "number of trainings appears to exceed the requirements of the award and technical approach of the offeror." Id. In response, PfSCM made some downward adjustments to its training ODCs, but actually increased its overall training ODCs to approximately $[DELETED]. See Comments at 59-61; Contracting Officer's Supp. Statement at 45. Ultimately, the agency accepted PfSCM's proposed costs, documenting the finding that "[a]s a result of . . . the explanations provided, it was determined the proposed costs were in line with PfSCM's technical approach which placed a focus on the role of training and conferences and therefore were not adjusted in the probable cost." AR, Tab 46, Cost Realism Add., at 29.

With respect to Chemonics, the agency, during discussions, asked the firm for additional detail regarding its proposed training program. AR, Tab 16, Agency Discussions Ltr. to Chemonics (Sept. 11, 2014), at 17, 77-78. Chemonics provided a lengthy response stating, among other things, that while the firm would [DELETED], its approach would emphasize "[DELETED]." AR, Tab 21, Chemonics Response to Technical Discussion Items (Oct. 8, 2014), at 48. Chemonics also provided specific information regarding how it estimated its training ODCs. AR, Tab 22, Chemonics Response to Cost Discussions Items (Oct. 8, 2014), at 77-78.

The agency ultimately found Chemonics's proposed training ODCs to be realistic, documenting its conclusion as follows:

> The technical advisors deemed that the frequency and number of trips were reasonable . . . . It appeared that the proposed in-country, regional, and international travel costs were aligned with the technical approach which emphasizes [DELETED], thereby reducing travel and per diem costs. Although Chemonics proposed travel, transportation, and per diem costs are significantly less than the [independent government cost estimate], the proposed costs were considered in line with the aforementioned technical approach. For this reason, there were no outstanding cost realism issues identified . . . and no adjustments were made.

AR, Tab 46, Cost Realism Add., at 12-13.

As shown above, the record reflects that the agency questioned Chemonics's proposed training ODCs, evaluated a detailed response submitted by Chemonics, and then documented a determination that the proposed ODCs were consistent with the firm's approach of reducing training ODCs. On this record, PfSCM's challenge against this aspect of the agency's cost realism evaluation is denied.

PfSCM also challenges the agency's finding that Chemonics's labor rates were realistic. In connection with this claim, PfSCM points out that the agency initially upwardly adjusted many of Chemonics's rates, but later, after discussions, decided to reverse the adjustments and use Chemonics's proposed rates. PfSCM Comments at 84-85; Supp. Comments at 35-37. PfSCM claims the agency's decision not to upwardly adjust the rates was unreasonable because the agency did not specifically discuss the rates with Chemonics. PfSCM Comments at 84-85; Supp. Comments at 35-40.

The record reflects that in its initial cost realism evaluation, the agency used tools such as a Bureau of Labor Statistics (BLS) query (for domestic labor) and a USAID

Local Compensation Plan (LCP) (for international labor) to evaluate the realism of the offerors' rates. See AR, Tab 13, Cost Analysis, at 18-21; AR, Tab 14, Cost Realism Analysis, at 11, 13. Based on this data, the agency, in its initial cost realism evaluation, made upward adjustments to many of Chemonics's proposed rates. See AR, Tab 14, Cost Realism Analysis, at 11-13, 31, 35, 56.

In the discussions that followed the initial evaluation, and as relevant to PfSCM's claim, the agency presented the following discussions item to Chemonics:

> Chemonics' cost proposal, did not provide a sufficient amount of supporting information and narrative (providing insight into Chemonics' cost estimating thought processes and methodologies). Please provide additional historical data and insight into the methodology and rationale for establishing each of the proposed [ceiling daily rates].

AR, Tab 16, Agency Discussions Ltr. to Chemonics (Sept. 11, 2014) at 31 (emphasis in original). In response, Chemonics provided a lengthy explanation of the methodology it used for developing the rates. AR, Tab 22, Chemonics Response to Cost Discussions Items (Oct. 8, 2014), at 6-10. Chemonics's response explained the firm had commissioned an independent study under which a consulting firm reviewed Chemonics's labor category descriptions and then "examine[d] labor rates in the international development arena and/or the health services sector as applicable." Id. at 8. Chemonics's response also identified 14 compensation and salary surveys used in the analysis. Id. at 9. Additionally, Chemonics explained that it had "circulated the proposed labor categories and [ceiling daily rates] to our consortium and solicited feedback based on their cost experience." Id. at 10.

Also in discussions, the agency posed numerous questions to Chemonics regarding the reasonableness of specific labor rates; i.e., the agency posed questions regarding whether some of Chemonics's proposed labor rates were too high. E.g., AR, Tab 16, Agency Discussions Ltr. to Chemonics, at 32, 37, 39-50; AR, Tab 27, Agency Discussions Ltr. to Chemonics (Dec. 16, 2014), at 11-14. In response, Chemonics provided additional detail regarding the methodology it used to develop the rates. For example, Chemonics provided "biodata forms" and salary justification memoranda to support various rates. AR, Tab 22, Chemonics Response to Cost Discussions Items (Oct. 8, 2014), at 48-49, 52, 55; AR, Tab 36, Chemonics Response to Cost Discussions Items (Jan. 7, 2015), 16-17, 55. As another example, Chemonics provided narratives detailing how it developed specific rates using market research and its business experience. AR, Tab 22, Chemonics Response to Cost Discussions Items (Oct. 8, 2014), at 20, 25-26; AR, Tab 36, Chemonics Response to Cost Discussions Items (Jan. 7, 2015), 17, 19, 42, 45.

In its final cost realism report, the agency documented that "[a]s a result of the two rounds of questions, nearly all of the realism issues identified earlier in the procurement process . . . were resolved and few adjustments were [made]." AR, Tab 46, Cost Realism Add., at 2. With regard to the rates that previously had been upwardly adjusted, the report stated as follows:

> Salaries were not adjusted even if individual salaries were found to be . . . potentially too low in the cost analysis. This is because . . . based upon the additional methodology provided by the offerors . . . regarding the process for deriving the labor rates, the rates were considered to be the most realistic estimate of labor costs likely to be charged to the Government over the course of the award.

Id. With regard to Chemonics's rates specifically, the report stated:

> For realism purposes, based on the methodology and the supporting salary information provided in the proposal that documented the basis for the proposed salaries, the salaries appear to be realistic and are not considered a risk to performance. In addition the salaries are found to be in line with the work to be performed and, therefore, no adjustments were made.

Id. at 7-8.

Thus, the record reflects that the agency concluded, based on information received during discussions, that the Chemonics rates that initially were upwardly adjusted did not warrant those adjustments. In other words, the agency chose to accept the market information provided by Chemonics rather than to continue to apply the higher rates that the agency initially calculated using its BLS and LCP data. Based on the agency's documentation of this issue, as well as the detailed information provided by Chemonics during discussions, we see no basis to sustain this ground of protest.

PfSCM also claims that the agency's cost realism evaluation was flawed because the information Chemonics submitted during discussions was provided in response to discussions items regarding cost reasonableness, rather than cost realism. Comments at 83-84; Supp. Comments at 35. Given the degree of detail Chemonics provided about its methodology for developing rates, we are not prepared to conclude that it was unreasonable for the agency to consider that information for purposes of establishing both reasonableness and realism.

Finally, PfSCM argues that the agency's realism determination for Chemonics's rates was flawed because after proposing ceiling daily rates, Chemonics proposed some rates that were below the ceiling daily rates.[13] Supp. Comments at 38. In making this claim, PfSCM fails to cite the portion of the record that reflects these two sets of rates. See Comments at 38. Instead, PfSCM argues broadly that the issue to be considered is whether "the salaries that Chemonics proposed below those ceilings were realistic." Id. While we question whether this claim is cognizable due to the lack of specifics provided regarding the rates at issue, we fail to see how it would have merit, given that the record shows that Chemonics submitted--and the agency considered--a significant amount of data regarding actual salaries underlying numerous rates. See e.g., AR, Tab 22, Chemonics Response to Cost Discussions Items (Oct. 8, 2014) at 146-49; AR, Tab 23, Chemonics Revised Cost Proposal, at 1315-39; AR, Tab 36, Chemonics Response to Cost Discussions Items (Jan. 7, 2015), at 103-04.

The protest is denied.

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General Counsel

[13] The lower rates apparently apply to the initial years of performance, whereas the ceiling daily rates establish a cap on rates during the final years of performance. See Contracting Officer's Supp. Statement at 55.