



**DOCUMENT FOR PUBLIC RELEASE**

The decision issued on the date below was subject to a GAO Protective Order. This redacted version has been approved for public release.

# Decision

**Matter of:** Vectrus Mission Solutions Corporation; Vanquish Worldwide, LLC

**File:** B-418942; B-418942.2; B-418942.3

**Date:** October 27, 2020

---

Kevin P. Mullen, Esq., James A. Tucker, Esq., Alissandra D. Young, Esq., and Victoria D. Angle, Esq., Morrison & Foerster LLP, for Vectrus Mission Solutions Corporation; and Michael D. Maloney, Esq., and Anthony H. Anikeef, Esq., Williams Mullen P.C., for Vanquish Worldwide, LLC, protesters.

Cameron S. Hamrick, Esq., C. Peter Dugan, Esq., Roger V. Abbott, Esq., and Megan J. McGinnis, Esq., Miles & Stockbridge P.C., for VS2, LLC, an intervenor.

George P. Farley, Esq., and Jonathan A. Hardage, Esq., Department of the Army, for the agency.

Scott H. Riback, Esq., and Tania Calhoun, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

---

## DIGEST

Protest challenging agency's cost evaluation is sustained where record shows agency improperly made an upward most probable cost adjustment to a proposed cost that the protester legally bound itself to absorb during contract performance.

---

## DECISION

Vectrus Mission Solutions Corporation, of Alexandria, Virginia, and Vanquish Worldwide, LLC, of Knoxville, Tennessee, protest the issuance of a task order to VS2, LLC, of Alexandria, Virginia, under request for proposals (RFP) No. W52P1J-19-R-0070, issued by the Department of the Army for logistics support services at Fort Benning, Georgia. Both protesters argue that the agency miscalculated proposals and made an improper source selection decision.

We sustain Vectrus's protest and dismiss Vanquish's protest.

## BACKGROUND

The RFP contemplates the issuance of a predominantly cost-plus-fixed-fee type requirements task order for a base year and four 1-year options to perform the solicited

services.<sup>1</sup> The RFP advised that agency would evaluate proposals considering total evaluated cost/price, as well as three non-cost/price factors: technical, small business participation plan, and past performance. RFP at 79. The RFP provided that the technical and small business participation plan factors would be evaluated on a pass/fail basis (and be assigned ratings of acceptable or unacceptable); the agency would perform a “qualitative assessment” of each offeror’s past performance and assign confidence ratings; and cost/price would be evaluated for realism and reasonableness.<sup>2</sup> Firms were advised that the agency would make award to the responsible offeror that received a substantial confidence rating under the past performance factor, and submitted the lowest evaluated cost/price proposal that was determined to be acceptable under the technical and small business evaluation factors.<sup>3</sup>

The agency received a number of proposals in response to the RFP. The agency evaluated the proposals, established a competitive range, engaged in discussions with the competitive range offerors, and solicited, obtained, and evaluated revised proposals. The agency arrived at the following evaluation results for the protesters and awardee:

---

<sup>1</sup> The RFP contemplates that all services except transition-in activities and program management office (PMO) activities will be performed on a cost-reimbursable basis; the transition-in and PMO activities are to be performed on a fixed-price basis.

<sup>2</sup> The record in this case is both heavily redacted and, in many instances, does not include even the most basic acquisition documents such as understandable or decipherable evaluation materials. Because of the gaps in the record, we do not know the confidence adjectival rating system employed by the agency in its evaluation of past performance; we can only determine the confidence ratings assigned to the protesters’ and awardee’s past performance.

In addition, the RFP and the record use the terms “price” and “cost” more-or-less interchangeably, notwithstanding that this is a predominantly cost-reimbursement type task order. We use the term “cost evaluation” to refer to the agency’s evaluation of the Vectrus cost/price proposal.

<sup>3</sup> As noted, the RFP contemplates what essentially amounts to a low-cost/price, technically acceptable basis for award. The RFP expressly stated that cost/technical tradeoffs would not be made, and award would be made as described above. Nonetheless, for reasons that are not apparent, the RFP also states that the past performance factor is significantly more important than the cost/price factor and the small business participation factor. The RFP makes no mention of the relationship between the technical factor and the other non-cost/price factors, or between the technical factor and cost/price, but does state that the non-cost/price factors collectively are significantly more important than cost/price, again for reasons that are not apparent.

Offeror	Technical	Small Business Participation	Past Performance	Proposed Price <sup>4</sup>	Evaluated Price
Vectrus	Acceptable	Acceptable	Substantial Confidence	\$250,831,287	\$270,551,185
Vanquish	Acceptable	Acceptable	Neutral		\$253,582,776
VS2	Acceptable	Acceptable	Substantial Confidence		\$257,097,548

Agency Reports (AR) exhs. 35, 43, Source Selection Decision Document (SSDD), at 12.<sup>5</sup> Based on these evaluation results, the agency issued the task order to VS2, concluding that VS2's proposal offered the lowest cost/price; was rated acceptable under the technical and small business participation factors; and received a substantial confidence rating for its past performance. After being advised of the agency's source selection decision and requesting and receiving debriefings, the protesters filed the instant protests with our Office.<sup>6</sup>

## DISCUSSION

Both protesters raise challenges to the agency's evaluation of proposals. Vanquish's allegations are confined to challenges to the evaluation of its proposal and the VS2 proposal in the areas of past performance and small business participation plan. According to Vanquish, the agency's errors with respect to its evaluation of VS2 should have resulted in that firm's elimination from consideration. Vanquish also alleges that the agency miscalculated its past performance and erred in assigning it a neutral rating.

For its part, Vectrus raises just a single argument relating to the agency's cost evaluation. Vectrus alleges that the agency erred in applying an upward most probable cost adjustment to its proposal which resulted in the firm being displaced as the lowest-

<sup>4</sup> Due to the heavy redactions in the record in this case, we cannot determine dispositively whether the agency made probable cost adjustments to the proposals of Vanquish or VS2; we have used the limited cost information from the record to establish the evaluated cost/price used by the agency for these two firms

<sup>5</sup> The agency filed separate reports for each protest. While many of the exhibit numbers are the same in both, there are numbering differences between the exhibits in each report. Since, as discussed below, we dismiss the Vanquish protest, the remaining citations to the record in this decision are to the report filed in the Vectrus protest, unless otherwise noted.

<sup>6</sup> The task order was issued under the Enhanced Army Global Logistics Enterprise multiple-award, indefinite-delivery, indefinite quantity contracting program. Because the value of the task order is in excess of \$25 million, our Office has jurisdiction to consider the protests under the authority set out in Title 10 of the United States Code. 10 U.S.C. §2304(e)(1)(B).

cost/price offeror and, by extension, improperly depriving it of the award. Vectrus argues that it would have been issued the task order pursuant to the terms of the RFP had the agency evaluated its proposal correctly.

We have reviewed all of the allegations advanced in both protests. We conclude that the agency erred in its evaluation of the Vectrus cost/price proposal, and that Vectrus is therefore entitled to issuance of the task order, if otherwise proper. We therefore sustain Vectrus's protest. Because of our conclusion concerning Vectrus's protest, we need not decide the issues raised in the Vanquish protest, since that firm would not properly be in line for award, even if its allegations about the agency's evaluation of proposals under the non-price evaluation errors were found to be meritorious. We therefore dismiss Vanquish's protest in its entirety. We discuss our findings in detail below.

### Evaluation of the Vectrus Cost/Price Proposal

The record shows that the agency made two upward cost adjustments to the Vectrus cost/price proposal for a total amount of \$19,719,898. AR, exh. 37, Cost Evaluation Report, at 5, 31-32. The principal upward adjustment was in the amount of \$17,839,964. *Id.* at 5, 31. It was made to account for certain costs that Vectrus had proposed to absorb (discussed in detail below) during the primary base and option periods of performance. A second, smaller, upward adjustment was made in the amount of \$1,879,933. *Id.* at 5, 32. This second adjustment was made to account for the same costs, but was allocable to a 6-month optional extension to the period of performance, and therefore was not captured in the first adjustment.

Vectrus argues that these adjustments were improper because it included a legally binding promise in its cost proposal to limit the cost to the agency of [deleted] over the course of performance. Vectrus argues that its actions were permissible under the terms of the RFP, and that, because the government would not be liable for these costs, it was improper for the agency to have applied the upward cost adjustments to its proposal for evaluation and source selection purposes.

The agency responds that it was not required to blindly accept Vectrus's proposal to assume liability for the identified [deleted] and that it acted reasonably in applying the upward cost adjustment. According to the agency, it had a reasonable concern regarding whether Vectrus's assumption of liability would be borne out during contract performance, especially in view of the fact that the amount of the costs to be absorbed by Vectrus exceeded the amount of the firm's proposed fee.

We sustain this aspect of Vectrus's protest. As a general rule, when awarding a cost-reimbursement type contract, agencies are required to perform a cost realism evaluation to determine whether an offeror's proposed costs 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. Federal Acquisition Regulation (FAR) 15.404-1(d). The underlying reason for

this requirement is that an offeror's proposed costs are not dispositive in a cost-reimbursement environment since, regardless of the costs proposed, the government generally will be liable to the contractor for all allowable and allocable costs incurred in connection with the performance of the contract. *Marine Hydraulics International, Inc.*, B-403386, B-403386.2, Nov. 3, 2010, 2010 CPD ¶ 255 at 2.

On the other hand, where a firm offers a cap or ceiling on a particular cost that limits the government's liability and shifts liability for the cost to the offeror--and no other issue calls into question the effectiveness of the cap--any upward adjustment to the capped cost is improper. *Affordable Engineering Services, Inc.*, B-407180.4, B-407180.5, Aug 21, 2015, 2015 CPD ¶ 334 at 5. Any question concerning a firm's ability to perform the contract in light of a capped cost that is below the actual cost is a matter of the firm's responsibility rather than a matter to be considered by the agency in its cost realism evaluation. *Id.* at 6.

The RFP specified a particular level of effort during each year of contract performance. AR, exh. 6, Staffing and Labor Mix Spreadsheet; 22-3 Workload Spreadsheet. The RFP divided positions between two broad categories, functional labor category (FLC) 1 and 2, with FLC1 comprised of front-line laborer categories and FLC2 comprised of supervisory labor categories. Broadly speaking, offerors had discretion in terms of the composition of their respective workforce, but firms were required to propose no fewer than the number of productive labor hours specified in the RFP. *Id.*

The RFP also included the following instructions to offerors:

It is the Offeror's obligation to submit an unambiguous proposal that clearly reflects the Offeror's intended technical approach and establishes cost credibility. Any inconsistency, whether real or apparent, between promised performance and proposed cost must be adequately explained in the proposal. For example, if the use of new and innovative techniques is intended, the impact on cost must be explained. *As another example, if a business policy decision to absorb a portion of the estimated cost was made, that approach must be stated within the proposal (including any associated calculations).* Failure to adequately explain an inconsistency between promised performance and cost may result in a finding of Technical Unacceptability or a finding that a proposed cost is unrealistic for work to be performed.

RFP at 60 (emphasis supplied).

The record shows that, consistent with the above proposal instructions, Vectrus made a business decision to absorb certain of the costs identified in its proposal. Specifically, Vectrus's proposal provided--in its entirety as to this question--as follows:

- Our second Business Policy Decision involves a further cost-reduction benefit to the Government, wherein Vectrus absorbs a portion of the costs,

and the associated financial risk. Our approach, rationale, and benefits to the Government are detailed below:

- Approach: Vectrus will absorb the costs of [deleted].
  - Our subcontractors will not be involved in this Business Decision.
  - The cost of these [deleted] over the period of performance (PoP), including the 6 month option to extend, is (\$22,176,308) as shown in our cost model, Vectrus\_Vol\_4\_CostProp.xlsx file on Tab 3. Cost Element Summary, Cell U56. To absorb these costs internally, Vectrus will use our corporate proceeds.
  - NOTE: Over the PoP, Vectrus, and our three subcontractors, will [deleted]. Our Vectrus and subcontractor cost/price models collectively reflect that all required [deleted] are accounted for and [deleted] IAW [in accordance with] the RFP.
- Rationale: Vectrus is a financially sound and transparent publicly traded corporation with a strong cash position; as such, our company is fully capable of absorbing the cost of this Business Policy Decision.
  - Vectrus formally acknowledges and accepts the risks and responsibilities associated with this decision.
  - This decision will not impact our operational approach to managing and executing the Fort Benning Task Order (TO) PWS [performance work statement] technical requirements and achieving the associated PRS [performance requirements summary] performance standards.
- Benefits to the Government: This second Business Policy Decision provides the Government a no-risk cost savings of \$22,176,308.

In summary, Vectrus has costed [deleted] identified in the Technical Volume into our Cost/Price Volume. We have made a Business Policy Decision to absorb the costs of [deleted], out of our corporate proceeds to provide value to the Government. Vectrus confirms that all proposed [deleted] proposed in the Technical Volume are priced in the Cost/Price Volume.

AR, exh. 32-4, Vectrus Cost Proposal Assumptions, at 7.

Vectrus's Cost/Price spreadsheets bear out this representation, showing unequivocally that [deleted] has been included in the firm's cost proposal at [deleted], and that the reduction in its proposed costs of \$[deleted] was applied after accounting for all required [deleted]. AR, exh. 32-6, Cost Proposal Workbook, Sheet 3, Cost Element Summary, Sheet 4, [deleted], Sheet 4a, Summary by Year. Vectrus's technical proposal similarly

reflects that the firm included all [deleted] required by the RFP. AR, exhs. 25-1, Technical Proposal Narrative; 25-2 Technical Proposal [deleted]. In short, the record shows that Vectrus's cost and technical proposals are consistent with one another, and both include all of the [deleted] required by the RFP.

As noted, the record shows that, in evaluating Vectrus's cost proposal, the agency applied an upward cost adjustment to the Vectrus proposal of \$19,719,898.<sup>7</sup> The agency's contemporaneous evaluation materials show that it identified two reasons for this adjustment. First, the agency's cost evaluator made an assumption that was not based on the contents of the Vectrus proposal, but instead on a question posed by Vectrus during an informal exchange between Vectrus and the agency during discussions.

By way of background, Vectrus was given several questions during negotiations with the agency. As is pertinent here, the agency's second discussion question noted that Vectrus had proposed [deleted], and this resulted in what the agency viewed as an inconsistency between its cost and technical proposal because Vectrus had not "priced" [deleted] in accordance with the requirements of the RFP.<sup>8</sup>

After receiving this discussion question, Vectrus posed several questions to the agency before providing its response to the discussion question and submitting its revised proposal. One of the questions posed by Vectrus was as follows:

[I]s it also an acceptable Business Policy Decision to propose to [deleted], with the understanding that: (1) mission support would not be negatively impacted, (2) we are basing our Business Policy Decision on documented, historical experience providing equivalent support at Fort Bragg, and (3)

---

<sup>7</sup> In its revised proposal, Vectrus proposed to absorb the cost of [deleted] over the life of the contract for a total proposed cost reduction of \$22,176,308. The agency's upward cost adjustment was smaller than this amount--\$19,719,898--because it confined its adjustment to [deleted] that were allocable to the cost reimbursible portion of the requirement. AR, exh. 37, Cost Evaluation Report, at 31-32.

<sup>8</sup> Vectrus took a slightly different approach to presenting its business policy decision in its initial proposal. Specifically, Vectrus attempted to introduce the cost reduction it was offering by reducing [deleted] in its cost proposal to [deleted], but noting that its technical proposal continued to account for all of the required [deleted]. AR, exh. 27-4, Vectrus Cost Proposal Assumptions, at 6. After discussions, Vectrus clarified its approach to offering the cost reduction by pricing [deleted], and then reducing its proposed cost by what amounted to a lump-sum elsewhere in its cost proposal. AR, exh. 32-4 Vectrus Revised Cost Proposal Assumptions, at 7. The lump-sum reduction in its proposed costs was accompanied by its promise--quoted above--to accept liability for the amount of the lump sum. *Id.*

should Vectrus at some point need to [deleted] that Vectrus would bear the full cost of [deleted]?

AR, exh. 30-15b, Vectrus Questions to the agency, at 2. The agency answered Vectrus's question as follows:

No, Offerors are required to meet the minimum requirements of the RFP. Additionally, question (b) refers to [deleted], which is not reflected in the Offeror's Technical Volume.

AR, exh. 30-15b, Agency Answers to Vectrus Questions, at 3.

Following this exchange, Vectrus--apparently in response to the agency's answer to its question--aligned its cost and technical proposals; priced all required [deleted]; and also explicitly promised to assume liability for the lump-sum cost savings reflected elsewhere in its proposal, as described above.

However, the agency's cost evaluator raised a concern during the evaluation of Vectrus's revised proposal. Specifically, the cost evaluator noted that, in Vectrus's informal question to the agency quoted above, Vectrus had alluded to the possibility [deleted], and therefore suggested that if, in fact, Vectrus [deleted], this would pose a risk to the government. AR, exh. 37, Cost Evaluation Report, at 31. Based on this reasoning, the cost evaluator applied the upward cost adjustment.

On this record, we conclude that the cost evaluator made an unwarranted assumption about what Vectrus might do during performance based on the informal--clearly non-binding--exchange with Vectrus quoted above that occurred during discussions. However, this assumption is directly contradicted by the actual contents of the Vectrus revised proposal.

As noted, Vectrus expressly made the following representation in its revised cost proposal:

Over the PoP, Vectrus, and our three subcontractors, will [deleted] in strict compliance with [deleted]. *Our Vectrus and subcontractor cost/price models collectively reflect that all required [deleted] are accounted for and correctly priced IAW [in accordance with] the RFP.*

\* \* \* \* \*

*– Vectrus formally acknowledges and accepts the risks and responsibilities associated with this decision.*

AR, exh. 32-4, Vectrus Cost Proposal Assumptions, at 7 (emphasis supplied). And, as discussed, an examination of the Vectrus proposal shows that, in fact, Vectrus actually proposed the required [deleted] in both its technical and cost proposals, which were consistent with one another.



Given these facts, we conclude that the cost evaluator erred in making an unwarranted assumption about Vectrus's potential behavior during contract performance that was directly at odds with the contents of Vectrus's proposal. It necessarily follows that this rationale does not provide a reasonable basis for application of the upward cost adjustment.

Second, the record shows that the cost evaluator essentially did not believe that Vectrus could absorb the cost of the proposed reduction. The cost evaluator concluded as follows:

Second, the Offeror's proposed cost credit for CPFF [cost plus fixed fee] CLINs [contract line item numbers] amounts to a total of \$17,839,964 for the Base and OYs [option years] 1-4. The Offeror's proposed fee is \$[deleted]. Therefore, the analyst finds the proposed credit unrealistic as it would not be covered by the Offeror's proposed fee if issues arose during execution.

AR, exh. 37, Cost Evaluation Report, at 31.

However, notwithstanding the cost evaluator's unsubstantiated belief about the fiscal wherewithal of Vectrus, the simple fact of the matter is that Vectrus expressly assumed legal liability for the cost reduction and explained that it was in a financial position to absorb the amount in question. Vectrus's proposal states:

- Rationale: Vectrus is a financially sound and transparent publicly traded corporation with a strong cash position; *as such, our company is fully capable of absorbing the cost of this Business Policy Decision.*

*Vectrus formally acknowledges and accepts the risks and responsibilities associated with this decision.*

AR, exh. 32-4, Vectrus Cost Proposal Assumptions, at 7 (emphasis supplied).

As discussed, where, as here, a firm offers a cap or ceiling on a particular cost that effectively limits the government's liability and shifts liability for the cost to the offeror, any upward adjustment to the capped cost is improper. *Affordable Engineering Services, Inc. supra*. In such circumstances, the only appropriate consideration for the agency is whether the offeror may be found responsible in light of the proposed assumption of liability. *Id.* Accordingly, we conclude that the second basis for the cost evaluator's application of the upward adjustment also is not reasonable.

To summarize, the record shows that Vectrus made a legally binding promise to assume liability for the cost reduction it proposed. Notwithstanding that promise, the agency's cost evaluator made what amounts to two unwarranted assumptions: first that Vectrus was not actually offering what it had proposed; and second, that Vectrus was not financially capable of absorbing the cost savings it had proposed, even though there

is nothing in the record to show that the agency ever made a responsibility determination with respect to Vectrus.

Based on the cost evaluator's unwarranted assumptions, the agency improperly added \$19,719,898 to the Vectrus cost/price proposal for evaluation and source selection purposes. Had the agency not made this improper upward adjustment to the Vectrus proposal, its cost/price for evaluation purposes would have been \$250,831,287. The record thus shows that, absent the agency's error, Vectrus offered the lowest evaluated cost/price among the three competitive range offerors (as noted, Vanquish's evaluated cost/price was \$253,582,776 and VS2's evaluated cost/price was \$257,097,548). In view of the foregoing, we sustain Vectrus's protest.

### The Vanquish Protest

As noted, Vanquish's protest is confined to challenges to the agency's evaluation of its proposal, and the proposal of VS2, relating to the past performance and small business participation plan evaluation factors. Vanquish has not raised any challenge to the agency's evaluation of the Vectrus proposal.

Given our discussion above, we find that Vectrus, and not either of the other two offerors, is the low-cost/price offeror receiving acceptable ratings under the technical and small business participation plan factors, and also receiving a substantial confidence rating for its past performance. Under the express terms of the RFP, Vectrus is entitled to the task order.

Our Bid Protest Regulations, 4 C.F.R. 21.0(a)(1), define an interested party as an actual or prospective offeror whose direct economic interest would be affected by the award or failure to award a contract. We conclude that Vanquish lacks the direct economic interest necessary to maintain its protest since, even if all of its allegations were correct, it would not be next in line for award of the task order. Accordingly, we dismiss Vanquish's protest in its entirety because we find that the firm is not an interested party.

### RECOMMENDATION

As discussed, the record shows that, absent the agency's cost evaluation error, Vectrus would have been the lowest cost/price offeror, not the awardee, VS2. Accordingly, we recommend that the agency issue the task order to Vectrus as the apparent low-cost/price acceptable offeror with a substantial confidence rating for past performance, if otherwise proper. In the event the agency issues the task order to Vectrus, we further recommend that the agency terminate the task order issued to VS2 for the convenience of the government. Finally, we recommend that the agency reimburse Vectrus the costs

associated with filing and pursuing its protest, including reasonable attorneys' fees. Vectrus should submit its certified claim for such costs, detailing the time spend and the costs incurred, directly to the agency within 60 days of receiving this decision.

The protest is sustained.

Thomas H. Armstrong  
General Counsel