“HIGHEST TECHNICALLY RATED OFFERORS WITH FAIR..., 30 No. 5 Nash &...
The OASIS GWAC is divided into seven pools of contractors with either 20 or 40 contracts awarded in each pool. The awardees were to be determined by a two-step process, looking first at the offerors' “technical ratings” and then at price. The technical ratings were numerical as follows:

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience</td>
<td>4,000</td>
</tr>
<tr>
<td>Past performance</td>
<td>4,000</td>
</tr>
<tr>
<td>Systems, Certifications &amp; Clearances</td>
<td>2,000</td>
</tr>
</tbody>
</table>

Each offeror was to fill out a self-scoring worksheet assigning points in accordance with detailed instructions in the solicitation, including a “scoring table.” The agency then did an “acceptability review” to determine if the offeror had submitted all of the required documentation to support its score. This was followed by a verification of the claimed scores. The solicitation explained:

Any Offeror in the Top 40 and/or Top 20 based upon score, who fails any of the criteria listed in the Acceptability Review in Section M.4., will be removed from consideration for award and notified, in writing, as soon as practicable. The next highest rated Offeror(s) (based upon score) who passes the Acceptability Review shall be added in the eliminated Offerors place. Only Offerors who initially pass all the criteria in the Acceptability Review in a given Pool in accordance with Section M.4. shall be considered eligible for award.

Following the Acceptability Review screening, the evaluation team will then evaluate and verify the support documentation for each and every evaluation element that the Top 40 and/or Top 20 have stated in the Offeror's proposal checklist (Section J.4.) and self scoring worksheet (See Section J.5A.)

In the event that an evaluation element claimed is unsubstantiated or otherwise not given credit for, the Offeror's preliminary score shall have the point value of the refuted evaluation element deducted and the Offeror will be re-sorted based upon the revised preliminary score. If the Offeror remains in the Top 40 and/or Top 20 the evaluation of the offer shall continue. If the Offeror does not remain in the Top 40 and/or Top 20, the next highest rated Offeror (based upon score) who passes the Acceptability Review shall be added to the Top 40 and/or Top 20 and evaluation shall begin on that offer.

Once the agency had completed this technical evaluation process and had arrived at the requisite number of offerors in each pool, it moved on to the evaluation of price. The solicitation explained:
Once the Top 40 and/or Top 20 highest scored offers have been evaluated and validated, the evaluation team will then check to verify that these Offerors have proposed fair and reasonable pricing. In the event that an Offeror has not provided fair and reasonable pricing, the Offeror shall be eliminated from further consideration for award unless discussions are conducted. However, the OASIS SB [small business] CO plans on basing award on initial proposals and does not intend on conducting discussions as stated in Section M.2.

The evaluation process shall continue this cycle until the Top 40 and/or Top 20 apparent successful Offerors are identified in each OASIS SB Pool that represent the highest technically rated offers (based on scores) with a fair and reasonable price. In the event of a tie at the position of number 40 and/or 20, all Offerors tied for this position shall receive a contract award.

The Justification
The agency source selection plan contained a rather detailed justification as to why this technique had been adopted and why it would provide the best pools of contractors:

Work to be performed under OASIS SB are articulated and awarded by federal customers at the task order level. As a result, non-price factors like Past Performance, Relevant Experience, and Systems, Certifications, and Clearances play a dominant role in the basis for the OASIS SB awards. Accordingly, the source selection process will neither be based on the Lowest Price Technically Acceptable (LPTA) or Tradeoffs. The LPTA approach is in direct contrast and detrimental to obtaining the quality and expertise of professional service employees needed for successful task order performance across the federal Government for a variety of integrated professional services for all contract types and pricing. Tradeoffs allow for a subjective analysis to consider awards to other than the lowest priced Offeror or other than the highest technically rated Offeror, however, this subjective approach is better suited for single award contracts or task orders when risks associated with the actual work to be performed and actual prices to be paid are being analyzed. Furthermore, in a tradeoff scenario, you can't predetermine a number of awards because you don't know in advance where the logical trade-offs will occur.

Given the breadth and depth of OASIS SB a more “Objective” approach rather than a “Subjective” approach will be used for the basis of awards, focusing primarily on the non-price factors. Within the best value continuum,
FAR 15.101 defines best value as using any one or a “combination” of source selection approaches. As the best value continuum points out, technical capability becomes a more dominant factor in procurements where the requirement is not definitive and contract type and pricing is accomplished at the task order level.

The Litigation
The protester, Octo, had given itself a score of 5,875 points which placed it in the top 40 offerors in its pool. It passed the acceptability review but in the verification process the agency deducted 100 points from its past performance score—knocking it out of the top 40. It was therefore dropped out of the competition. It tried to persuade the agency that it had made other mistakes in its self-scoring that would increase its points but the agency rejected this overture because it would be a discussion. Octo then filed suit in the U.S. Court of Federal Claims challenging the agency's actions. The court rejected this challenge on the grounds that the solicitation had been clear as to the technique that was to be used and that the agency had acted strictly in accordance with the solicitation. See also ADNET Systems, Inc., Comp. Gen. Dec. B-408685.3, 2014 CPD ¶ 173, 2014 WL 2731366, denying the protests of five other contractors that were dropped out of these competitions because the agency had strictly followed the solicitation evaluation scheme and had not engaged in clarifications because of a fear they might be discussions.

In dealing with the failure of the agency to look at price in dropping Octo from the competition, the court treated the process as a competitive range determination, stating:

The Agency determined that only the Top 40 offerors should be evaluated for the Acceptability Review, and only the Top 40 evaluated scores after the initial evaluation would be evaluated for price. The Agency, therefore, established a competitive range of proposals for each Pool and excluded all other offerors who did not have a sufficient, evaluated, self-score. As noted by defendant, “[t]he Government did not consider Octo's price because, under the solicitation, only the offerors who are in the Top 40, based upon their technical score, and remain in the Top 40 following the completion of the validation and evaluation process, have their prices evaluated. Because Octo was not one of the Highest Technically Rated, GSA properly declined to consider Octo's price.” (internal citation omitted).

The Agency, moreover, was not obligated to examine the price of each offeror. See Alamo Travel Grp., LP v. United States, 108 Fed. Cl. 224, 234 (2012) “Price must be considered without exception when an award is made, it need not be
considered for proposals that are technically unacceptable.”). As the court in *Alamo Travel* noted:


Octo argued that the court's decision was contrary to *Serco v. U.S.*, 81 Fed. Cl. 463 (2008), 50 GC ¶ 89, which had granted a protest on the ALLIANT GWAC procurement because the agency had not considered price. See *Precision in the Source Selection Process: It's Useful —Sometimes!*, 22 N&CR ¶ 29. However, the court distinguished that decision because it had been a tradeoff procurement where this one was based on a different technique.

**Our Analysis**

First, we want to commend the agency for having created a source selection scheme that kept it from having to read and evaluate hundreds of technical and management proposals. Focusing on experience and past performance certainly simplified the evaluation process. Whether the numerical scoring system led to an accurate assessment of the competence of the competitors we'll leave for another day.

Assuming that this numerical scoring leads to accurate results, the only question that this technical scoring system raises is how it accommodates new entries into the field. There is not enough information in the court's decision to determine whether a new entry can demonstrate
past performance and experience by using the work of the people in the company that they have performed in their past careers. However, if this is not possible, this would appear to be a weakness of the new technique.

The major issue, however, is whether price was an evaluation factor. In these IDIQ contracts for professional services the price that is at issue is loaded labor rates and it appears that all of the companies that were included in the technical pools were awarded contracts. Thus, all of the loaded labor rates were apparently determined to be fair and reasonable. Judging from the GSA’s similar determinations on Federal Supply Schedule contracts, what this means is that all of the proposed labor rates were in line with the normal practices of the companies—without regard to whether they were high or low in comparison to each other. This was not a protest issue so it was not addressed by the court.

If our analysis of the price issue is correct, the GSA has found a way to put together pools of the most qualified contractors irrespective of the level of their prices. This moves the price competition to the task order level where each agency buying off of the GWAC will have to assess whether the prices are a good value for the work that is being called for. At that point, each agency can use a tradeoff analysis, a low price technically acceptable analysis, or some other evaluation scheme. Perhaps they could even use a highest rated technical offerors with fair and reasonable pricing technique. Hopefully, however, in the current mode of tight money, agencies buying off of these GWACs will find it advantageous to take a close look at the prices before they award task orders.

As a business practice, this highest rated technical offerors with fair and reasonable pricing technique seems to us to make a lot of sense. Whether it is legal remains open to question. As we have stated many times, the use of price as an evaluation factor is a statutory requirement. See 10 USCA § 2305(a)(3)(A)(ii); 41 USCA § 3306(c)(1)(B). In Octo Consulting and the Best Value Continuum, 51-FALL Procurement Law. 1 (2015), Richard Webber argues that the technique is not legal because price was not considered in any meaningful way. We won’t know until we get a direct challenge—presumably to the first ALLIANT solicitation that hits the street. Even then we won’t know unless one of the potential contractors protests before submission of its proposal. In the meantime, it appears that the GSA intends to go full steam ahead. RCN

**ADDENDUM**

The GSA'S OASIS SB contract was to be a job shop mall, otherwise called a Governmentwide Acquisition Contract or GWAC, meaning that agencies located anywhere in the world could go there to hire small business contractors to perform various kinds of work, or in the bureaucratic jargon of the day, “to provide...total integrated solutions for a multitude of professional service based requirements.” The Request for Proposals (RFP) Section M.2, “Basis for Awards,” provided as follows:
The source selection process on OASIS SB will *neither be based on the Lowest Price Technically Acceptable (LPTA) nor Tradeoffs*. Within the best value continuum, FAR 15.101 defines best value as using any one or a combination of source selection approaches. For OASIS SB, the best value basis for awards will be determined by the Highest Technically Rated Offerors with a Fair and Reasonable Price.

The Highest Technically Rated, Fair and Reasonable Price approach will best achieve the objective of awarding contracts to Offerors of varying core expertise in a variety of professional services disciplines with qualities that are most important to GSA and our customers, such as Past Performance, Relevant Experience, and Systems, Certifications, and Clearances. [Emphasis added.]

Ralph quoted a key passage from RFP Section M.3, “Screening and Evaluation Process,” but I want to quote it at somewhat greater length.

Once the preliminary scoring is complete for all offers, the OASIS SB evaluation team will sort the offers by highest score to lowest score for each Pool.

The OASIS SB evaluation team will then verify that Top 40 awards for Pools 1,2,3,4, and 6 and the Top 20 awards for Pools 5.A. and 5.B. have successfully passed all of the Acceptability Review requirements in Section M.4. of the solicitation. **Note:** Hereafter, the Top 40 awards for Pools 1,2,3,4, and 6 and the Top 20 awards for Pools 5.A. and 5.B. will simply be referred to as Top 40 and/or Top 20.

Any Offeror in the Top 40 and/or Top 20 based upon score, who fails any of the criteria listed in the Acceptability Review in Section M.4., will be removed from consideration for award and notified, in writing, as soon as practicable. The next highest rated Offeror(s) (based upon score) who passes the Acceptability Review shall be added in the eliminated Offerors place. Only Offerors who initially pass all the criteria in the Acceptability Review in a given Pool in accordance with Section M.4. shall be considered eligible for award.
Following the Acceptability Review screening, the evaluation team will then evaluate and verify the support documentation for each and every evaluation element that the Top 40 and/or Top 20 have stated in the Offeror's proposal checklist (Section J.4.) and self scoring worksheet (See Section J.5A.)

In the event that an evaluation element claimed is unsubstantiated or otherwise not given credit for, the Offeror's preliminary score shall have the point value of the refuted evaluation element deducted and the Offeror will be re-sorted based upon the revised preliminary score. If the Offeror remains in the Top 40 and/or Top 20 the evaluation of the offer shall continue. If the Offeror does not remain in the Top 40 and/or Top 20, the next highest rated Offeror (based upon score) who passes the Acceptability Review shall be added to the Top 40 and/or Top 20 and evaluation shall begin on that offer.

Once the Top 40 and/or Top 20 highest scored offers have been evaluated and validated, the evaluation team will then check to verify that these Offerors have proposed fair and reasonable pricing. In the event that an Offeror has not provided fair and reasonable pricing, the Offeror shall be eliminated from further consideration for award unless discussions are conducted. However, the OASIS SB CO plans on basing award on initial proposals and does not intend on conducting discussions as stated in Section M.2.

The evaluation process shall continue this cycle until the Top 40 and/or Top 20 apparent successful Offerors are identified in each OASIS SB Pool that represent the highest technically rated offers (based on scores) with a fair and reasonable price. In the event of a tie at the position of number 40 and/or 20, all Offerors tied for this position shall receive a contract award. Once that has been accomplished, socio-economic examination of the Top 40 and/or Top 20 Offerors in each pool shall be made.
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Once the Top 40 and/or Top 20 Offerors and all socio-economic considerations have been accomplished, evaluations will cease and contract awards will be issued.

So the only evaluation of price would be to determine fairness and reasonableness. And how would the agency go about doing that? RFP Section M.7, “Cost/Price,” explained as follows:

The Offeror must ensure all the requested proposal submission information is current, accurate, and complete in accordance with Section L.

The Offerors' cost/price proposal will be used to determine whether the ceiling rates proposed for each labor category are fair and reasonable in order to establish ceiling rates for Time and Material/Labor Hour contract types in accordance with Section B.2.5.1.

For each proposed direct labor rate, the basis of fair and reasonableness will be the Department of Labor (DOL) Bureau of Labor Statistics (BLS) Service Occupational Classifications (SOC) will be used as explained in Section L.6.1.

For each Indirect rate, the basis of fair and reasonableness will be the Offeror's most current approved billing rates, forward pricing rate agreements, and/or acceptable accounting system generated rates for each OASIS SB labor category.

For Profit, the basis of fair and reasonableness will be no more than 7% for each OASIS SB labor category as explained in Section L.6.2.

If an Offeror does not meet one or more of these parameters for any labor category, the Offeror is strongly advised to provide clear and convincing rationale to support the proposed direct/indirect and/or profit rate(s). In the event the rationale is not determined reasonable, the proposal will be deemed to have a ceiling rate(s) that is not considered fair and reasonable and the proposal would not be eligible for award, regardless of technical score.

Cost/Price proposals may only be modified as a result of discussions and Offerors are advised that the Government intends to make award based on initial proposals without discussions.
An offer may also be rejected if any one or more required submittals is missing or incomplete on the Cost/Price Template in accordance with Section J.9., Attachment (9) or, the Government determines the lack of balanced pricing poses an unacceptable risk to the Government.

Thus, price would be the subject of a pass or fail evaluation. An offeror's price (ceiling labor rate) would be fair and reasonable if (1) direct labor rates were consistent with Department of Labor statistics, (2) indirect rates were the same as currently approved billing rates, forward pricing rate agreements, and “acceptable accounting system generated rates” (huh?), and (3) profit was no more than 7% of costs. There would be no comparisons of the offeror's proposed prices, and we found no statement of the relative importance of price anywhere in the RFP, although it is required without exception by 41 USCA § 3306(c)(1)(A) and (C) and FAR 15.304(d) and (e). Whatever else we think about this scheme, the question of the moment for us is whether it complied with the Competition in Contracting Act (CICA) as interpreted by the Government Accountability Office.

The GAO's Stance On The Role Of Price In Source Selection
The GAO has long maintained that CICA requires that price be a “significant” evaluation factor and that agencies must give meaningful consideration to price. See, e.g., The MIL Corp., Comp. Gen. Dec. B-294836, 2005 CPD ¶ 29, 2004 WL 3190217, 47 GC ¶ 133:

The Competition in Contracting Act of 1984 (CICA) requires contracting agencies to include cost or price as a factor that must be considered in the evaluation of proposals. 41 U.S.C. 253a(c)(1)(B) (2000); Electronic Design, Inc., B-279662.2 et al., Aug. 31, 1998, 98-2 CPD 69 at 8; see FAR 15.605(b)(1)(i). An evaluation and source selection that fail to give meaningful consideration to cost or price is inconsistent with CICA and cannot serve as a reasonable basis for award. See Electronic Design, Inc., supra. Cost or price has not been accorded meaningful consideration if the agency's evaluation and source selection decision so minimizes the potential impact of cost or price as to make it a nominal evaluation factor. See id.

Is there meaningful competition under CICA if an agency does not compare competing offerors' proposed prices? Putting it another way: Can the Government get “best” value under CICA without comparing competing prices? Can any evaluation scheme in which the selection of the awardee(s) is not based at least in part on price comparisons legitimately be said to fall along the “best” value continuum? Moreover, when awarding an IDIQ contract,
can an agency legitimately determine price reasonableness based solely on proposed labor rates (unit prices)?

Ralph and I discussed the GAO's stance on the role of price in source selections under CICA in Price As a “Significant” Evaluation Factor: Has the GAO Misinterpreted CICA?, 20 N&CR ¶ 40, and in Postscript: Design-Build Contracting, 20 N&CR ¶ 19. At the heart of our discussion was the GAO's decision in Electronic Design, Inc., Comp. Gen. Dec. B-279662.2, 98-2 CPD ¶ 69, 1998 WL 600991, 40 GC ¶ 513. In that case, the GAO stated:

As a general rule, the Competition in Contracting Act of 1984 (CICA) requires contracting agencies to include cost or price as a significant evaluation factor that must be considered in the evaluation of proposals. 10 U.S.C. §§ 2305(a)(2)(A), 2305(a)(3)(A)(ii); Boeing Sikorsky Aircraft Support, B-277263.2, B-277263.3, Sept. 29, 1997, 97-2 CPD ¶ 91 at 9–10; see FAR § 15.605(b)(1)(i) (June 1997). An evaluation and source selection which fails to give significant consideration to cost or price is inconsistent with CICA and cannot not serve as a reasonable basis for award. Boeing Sikorsky Aircraft Support, supra. Cost or price has not been accorded significant consideration if the agency's evaluation and source selection decision so minimizes the potential impact of cost or price as to make it a nominal evaluation factor. Coastal Science and Eng'g, Inc., B-236041, Nov. 7, 1989, 89-2 CPD ¶ 436 at 3.

In that case the Navy chose the contractor based on the fact that it proposed the best design and coupled with a price that was within the agency's budget. The Navy did not compare offerors' prices. The GAO sustained the protest, stating:

Here, the agency states that price was considered only to determine whether a proposal was eligible for award. Proposals with prices greater than the budget were not eligible for, nor considered for award. Once three of the proposals were determined eligible for award based on price, the Navy states that it did not consider the relative differences in price among the proposals, and did not perform a price/technical tradeoff; rather, technical merit was the sole consideration in the selection decision. Thus, to the extent the agency did consider price in this procurement, it was solely to determine basic eligibility for award. Such a consideration of price is nominal;
indeed, anything less would be to ignore price completely. [Footnote omitted.]

The GAO found another flaw in the Electronic Design procurement—the solicitation did not state the relative importance of nonprice factors and price as required by statute, which in that case was 10 USCA § 2305(a)(3)(A)(iii).

We conclude that the Navy's evaluation and source selection decision did not give significant consideration to price, and therefore was inconsistent with CICA and cannot form the basis for an award. Also we note that the relative weight of price to the non-price evaluation factors was not stated in this RFP as required by CICA, 10 U.S.C. § 2305(a)(3)(A)(iii). Where, as here, a solicitation does not explicitly state the relative importance of price or cost in relation to the other evaluation factors, our Office will presume that price or cost is of weight equal to the other factors. See Ogden Support Servs., Inc., B-270354, Feb. 28, 1996, 96-1 CPD ¶ 175 at 2 n.2.

What the GSA did in OASIS SB sounds a lot like what the Navy did in Electronic Design. Like the Navy, the GSA ranked the offerors on the basis of nonprice factors. Then, instead of evaluating price for affordability without comparing prices, as the Navy did, the GSA evaluated price for fairness and reasonableness without comparing prices. Like affordability, fairness and reasonableness was a pass or fail factor, which meant that by GAO standards the consideration of price was “nominal.”

Finally, the GSA determined fairness and reasonableness of price by considering only proposed ceiling rates, something which the GAO has said on several occasions that agencies may not do. See S.J. Thomas Co., Comp. Gen. Dec. B-283192, 99-2 CPD ¶ 73, 1999 WL 961750, 41 GC ¶ 463, which concerned a sustained protest against a GSA procurement for an IDIQ contract:

The question presented here is whether GSA's consideration of the mark-up rate alone, without taking into account potential differences in offerors' labor rates, number of hours, mix of labor categories, and material costs, represents adequate consideration of a proposal's cost to the government, as the agency contends. We conclude that it does not.
In our view, the mark-up rate is too unreliable an indicator of a proposal's relative cost to the government. As the agency recognizes, the actual cost to the government for the task orders issued under the contracts will reflect contractors' labor rates, mix and number of labor hours, and material costs, in addition to the mark-up rate. The uncertainty concerning labor rates, the number and mix of labor hours, and material costs does not mean that those cost elements will play no role in determining the relative cost to the government of performance by different firms. Not only are they certain to play a key role--the difference among offerors with respect to those cost elements could far outweigh the difference with respect to mark-up rates. Accordingly, considering only mark-up rates fails to represent the agency's best estimate of the likely relative cost to the government of the proposals competing for umbrella contracts. [Footnotes omitted.]


The GSA may have thought, and may still think, that it could get away with its “Highest Technically Rated Offerors with a Fair and Reasonable Price” approach by declaring that it was neither an LPTA nor a tradeoff approach and claiming that what it was doing was on the best value “continuum.” Who knows? Perhaps it can. A protest prior to the due date for the submission of proposals seems unlikely, and the GAO might reject any protest against the scheme that is filed thereafter.

**CICA Is Outdated And Should Be Repealed And Replaced**

Why do agencies come up with such schemes? Because they are trying to find ways to conduct acquisitions for new kinds of requirements and to do business with ever-evolving industries and markets under a competition law that was written 32 years ago and that is not well adapted to modern needs. They are required by statutes and regulations to use a competitive bidding process model that has its origins in the 19th century.

The only part of CICA worth preserving is the part that calls for some level of competition and justification and approval for the lack thereof. The rest of CICA, which calls for the use of specific competitive procedures, needs to go. Those sections should have been repealed long ago and the case law based on them sent to the rubbish heap. Agencies should have been freed from the tyranny of the awful FAR Part 15 source selection procedures in the
mid-1990s. There are many ways to select contractors and form contracts with them. Why should agencies be straitjacketed the way that they are, especially in this era of seemingly never-ending calls for critical thinking and innovation?

What contracting needs is a knowledgeable and empowered appointee-advocate who can get rid of the old and bring in the new—someone of stature and vision who is fully backed by the Executive Office of the President to draft and propose revisions to CICA. Someone that the president will actively support and who will lead contracting into the modern world. A forlorn hope. Such a person probably wouldn't want to be bothered with the hassle of Government service and all that it entails in terms of personal sacrifice and putting up with nonsense. VJE