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Decision

Matter of: ITT Industries, Inc.

File: B-294389; B-294389.2; B-294389.3; B-294389.4

Date: October 20, 2004

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DIGEST

1. Protest of technical and performance risk evaluation is denied, where record supports the agency's assessment of offerors' proposed joint tactical radio systems and otherwise indicates that proposals were evaluated fairly and in accordance with stated evaluation criteria.

2. Cost realism analysis is unobjectionable, where record shows that the technical evaluators and Defense Contract Audit Agency evaluated proposed costs; this information was considered by the source selection authority in making his award decision; and the protester has not shown that additional costs were likely to be incurred during performance.

DECISION

ITT Industries, Inc. (ITT) protests the Department of the Army's award of a contract to General Dynamics Decision Systems (GDDS), under request for proposals (RFP) No. DAAB07-03-R-E808, for the development of joint tactical radio systems (JTRS). ITT challenges the evaluation of proposals and resulting source selection decision.

We deny the protest.

The JTRS, which are being developed through a series of acquisitions called “clusters,” are software-defined programmable radios that will replace all existing tactical radios for the Department of Defense warfighters. This procurement is the JTRS “Cluster 5” acquisition, under which the awardee will develop three discrete “form factors,” or radio sets: handheld, manpack, and small form fit radios.¹ The handheld radio is held in the hand or worn on the uniform; the manpack radio is mounted in a vehicle or helicopter, or carried in a soldier’s rucksack; and the small form fit radio will be integrated into other equipment.

The solicitation contemplated that the JTRS Cluster 5 requirements would be met using a “spiral development acquisition approach.” During “Spiral 1,” the contractor will design, develop, test, document, and deliver single-channel handheld radios, two manpack radios, and ancillary items such as vehicle mounting bases, power adapters, battery chargers, charger base stations, and antennas. During “Spiral 2,” the contractor will design, develop, test, document, and deliver handheld, manpack, and small form fit radios (and ancillary items) that expand on Spiral 1 capabilities. The radios are to comply with mandatory performance requirement specifications (PRS) and the statement of work. The RFP also included “objective” PRS, which are desired but are not mandatory.

The RFP contemplated award of a contract with a cost-plus-award-fee system development and demonstration phase effort; fixed-price options for limited production of Spiral 1 radios and ancillary items; fixed-price-incentive-with-successive-targets options for production of Spiral 2 radios and ancillary items; and the acquisition of support services on a time-and-materials basis. (The cost-plus-award-fee effort constitutes approximately 20 percent of the overall contract value, while the fixed-price options together constitute approximately 80 percent of the contract value. Source Selection Authority (SSA) Final Briefing, Cost Factor Slide 5). The period of performance is from July 16, 2004 through December 30, 2011.

The RFP provided that award would be made to the offeror whose proposal was determined to represent the best value, based upon three evaluation factors: technical, performance risk, and cost/price. The technical evaluation factor consisted of five subfactors, listed in descending order of importance: (1) risk mitigation, schedule, test and evaluation for Spiral 1 (hereafter referred to as the Spiral 1 subfactor); (2) system design; (3) systems engineering; (4) risk mitigation, schedule, test and evaluation for Spiral 2 (hereafter referred to as the Spiral 2 subfactor); and (5) small business participation plan. The technical factor was

¹ There are 12 variants of the small form fit form factor.

“significantly more important than” performance risk, which was “significantly more important than” price.

Both ITT and GDDS submitted proposals that were included in the competitive range. After conducting several rounds of discussions, the Army requested final proposal revisions. Based upon the detailed evaluation reports and briefings prepared by the Source Selection Evaluation Board (SSEB), the SSA rated the offerors’ final proposals as follows:

		GDDS	ITT
Technical (overall)		Good	Good
	Spiral 1	Acceptable	Good
	System Design	Outstanding	Good
	Systems Engineering	Outstanding	Good
	Spiral 2	Acceptable	Good
	Small Business Participation	Acceptable	Good
Performance Risk		Moderate	Moderate
Evaluated Price/Cost		\$1,442,786,000	\$1,447,395,000

Source Selection Decision (SSD) at 4.

The SSA determined that GDDS’s proposal represented the best value, based upon its evaluated “superior design and better long-term solution that enhances operational capability and logistics supportability throughout the projected life of the program.” SSD at 8. Specifically, the SSA noted several strengths offered by GDDS’s proposal, including: (1) the GDDS team’s higher level of software capability as certified using the Software Engineering Institute Capability Maturity Model; (2) the greater use of common core modules across all form factors, which maximizes reuse of circuit card assemblies for Spiral 2, thus reducing future acquisition costs, facilitating logistics support, and improving operational capability; (3) the ability to run all waveforms on each of the radio channels, rather than on only one of them; and (4) inclusion of a removable [REDACTED], thus enhancing maintainability by permitting repair or replacement of only the [REDACTED], rather than requiring repair of the entire radio. Although the SSA recognized that there was some schedule risk associated with GDDS’s need to obtain certification of its cryptographic module from the National Security Agency (NSA), he found that this risk was offset by the superior design and technical strengths of GDDS’s proposal.² Given the technical advantages and price superiority of GDDS’s proposal, and the “essentially equal” ratings for performance risk, the SSA selected GDDS for award.

² In this regard, the PRS incorporated various NSA specifications, standards, and criteria. PRS ¶ 2.1.3.

Upon learning of the selection of GDDS, and after being debriefed, ITT filed this protest.

PROTEST

ITT asserts that the evaluation was inconsistent with the stated evaluation criteria. According to the protester, the Army relaxed or waived certain requirements solely for the benefit of GDDS and did not treat offerors equally in assessing strengths and weaknesses under the evaluation factors.

Where an evaluation is challenged, our Office will not reevaluate proposals, but instead will examine the record to determine whether the agency's judgment was reasonable and consistent with stated evaluation criteria and applicable statutes and regulations. U.S. Facilities, Inc., B-293029, B-293029.2, Jan. 16, 2004, 2004 CPD ¶ 17 at 6. In this regard, it is an offeror's obligation to submit an adequately written proposal for the agency to evaluate. United Defense LP, B-286925.3 et al., Apr. 9, 2001, 2001 CPD ¶ 75 at 19.

Based upon our review of the record, we find no basis to question the Army's determination that GDDS's proposal was more advantageous than ITT's. We discuss ITT's principal arguments below.

TECHNICAL EVALUATION

External Coupler

ITT contends that GDDS's proposal did not comply with a mandatory PRS requirement that the "Manpack [radio] Sets and antennas supplied for frequencies below 30 MHz [*i.e.*, high frequencies] shall have a performance (range/radiation efficiency) equal to or greater than the legacy radios and antennas for that band of operation." PRS ¶ 3.22.c. Relying on a statement in GDDS's proposal that [REDACTED], ITT asserts that GDDS's manpack radio cannot operate at high frequencies without the aid of an external coupler, [REDACTED]. Thus, concludes ITT, GDDS's proposal was not compliant with PRS ¶ 3.22.c.

We find ITT's position unpersuasive. Specifically, we find reasonable the Army's interpretation that GDDS's reference to [REDACTED] indicated only that GDDS was proposing [REDACTED], and not that an external coupler was required for high frequency use. In this regard, the Army explains, and GDDS confirms, that the capability to operate with [REDACTED] facilitated the operation of GDDS's radios with [REDACTED], which was a separate objective, but not a mandatory requirement, of the PRS. Contracting Officer's Statement (COS), Sept. 12, 2004, at 3; GDDS Comments, Sept. 27, 2004, at 6; *see* PRS ¶ 3.22.e ("It is an objective that the Manpack [radio] Sets operate with all legacy antennas for frequencies below 30 MHz."). Further, the Army's interpretation is consistent with the fact that GDDS

specifically indicated compliance with the frequency requirements of PRS § 3.22.c in its proposal, stating that each manpack radio set “covers all JTR[S] specified-frequency ranges [REDACTED].” GDDS Technical Proposal, § 3.2.6.2.4; see GDDS Technical Proposal, attach. 1 to Vol. 1, at 388.³ Given GDDS’s express statement of compliance with the frequency requirements of the PRS, and ITT’s failure to point to anything in GDDS’s proposal that reasonably called into question GDDS’s compliance, we find no basis to question the agency’s determination that GDDS’s proposed radios were in compliance with PRS ¶ 3.22.c.⁴

NSA Certification

ITT protests that, in evaluating GDDS’s proposal, the evaluators ignored the risk relating to NSA certification (which is an information security requirement of the RFP, PRS ¶ 3.17.2.1.i), by failing to properly “count” the risk as weaknesses under the Spiral 1, Spiral 2, and systems engineering subfactors. Our review of the record, however, confirms that the agency did in fact consider the potential for information security risk when evaluating GDDS’s proposal under the Spiral 1, Spiral 2, and systems engineering subfactors. Specifically, the SSEB, in its final evaluation, determined that GDDS’s proposal presented some risk associated with timely obtaining required NSA certification, but found that the risk related only to the program schedule and not to systems engineering. That is, the agency found that certain design features, such as [REDACTED], although not a risk in terms of engineering design, nevertheless required additional NSA certification that might delay the program schedule. Because the risk was schedule-related only, the SSEB determined that weaknesses should be assessed only under Spiral 1 and Spiral 2 factors, as these factors specifically refer to “Risk Mitigation, Schedule, Test and Evaluation.” SSEB Final Report, GDDS, Subfactors Spiral 1, Spiral 2, and Systems Engineering. The SSA also took GDDS’s proposal weakness into account in making

³ The provided [REDACTED]. GDDS Comments, Sept. 17, 2004, at 5-6; GDDS Comments, Sept. 27, 2004, at 7; Declaration of GDDS Electrical System Engineer, Sept. 14, 2004, ¶ 13; Declaration of GDDS Electrical System Engineer, Sept. 27, 2004, ¶ 5; see GDDS Price Proposal at A-2419. Although the antenna design is not described in detail in GDDS’s proposal, the solicitation did not require a detailed description of the antenna design.

⁴ In the alternative, ITT speculates that if GDDS now includes impedance-matching circuitry or an external coupler with its high frequency antenna, then GDDS’s solution would exceed the weight, volume, and power requirements of the PRS. GDDS’s speculation, however, supposes that GDDS must now add something to its proposal in order to render it compliant with PRS ¶ 3.22.c. As discussed above, there is no basis for concluding that additional equipment beyond that included in GDDS’s proposed approach was necessary in order to meet the mandatory PRS frequency requirements.

his best value determination. SSD at 5, 6. Thus, our review of the record indicates that the Army fully considered the schedule-related risk relating to obtaining the required NSA certification.⁵

Small Business Participation

ITT contends that the agency should not have rated GDDS's proposal acceptable under the small business participation subfactor, because the proposal specified small business participation goals that were significantly below the small business goals established by the Department of Defense and incorporated in the RFP. We find ITT's argument to be without merit. In this regard, the Army found that although GDDS's proposal specified lower small business participation goals than desired, the proposal nonetheless was "acceptable" because these were goals rather than requirements, and GDDS had an "outstanding track record of providing significant subcontracting opportunity to Small Business." SSD at 7. Although ITT contends that the agency should not have considered GDDS's history in evaluating this subfactor, section M specifically provided that, in evaluating proposals under the small business participation plan subfactor of the technical factor, the agency would consider the offeror's record of utilizing small business concerns. RFP § M, ¶ 4.1.2. In these circumstances, we conclude that the Army reasonably determined that GDDS's failure to specify small business participation goals at the desired levels, while a weakness, nevertheless did not render the proposal unacceptable.⁶

Software Certification

ITT asserts that the Army failed to treat offerors equally when evaluating the respective teams' level of software capability as certified using the Software Engineering Institute (SEI) Capability Maturity Model (CMM). In this regard, the agency assigned GDDS's proposal a significant strength under the systems design subfactor because "the majority of [GDDS's] software is being developed by team members that are certified at [SEI CMM] Level [REDACTED] which reduces risk in

⁵ In any event, as of the time of evaluation, ITT's cryptographic module also had not been certified by NSA. Although it has subsequently been certified, it must undergo additional certification when embedded into the radio.

⁶ We note that the SSA's apparent expectation that, based on its track record, GDDS would in fact provide significant subcontracting opportunities to small business concerns was consistent with GDDS's explanation in its proposal of this area. Specifically, GDDS explained in its proposal that the shortfalls were "primarily due to difficulties in estimating procurement activities for products that are not fully developed at this time. . . . As the development activities mature, General Dynamics expects the small business participation percentages to increase." GDDS Price Proposal at A3-7.

the system software design effort to a greater extent than does [ITT,] which has the majority of the software being developed by team members that are certified at SEI CMM Level [REDACTED].” SSD at 5. ITT contends that its proposal also was deserving of a significant strength for Level [REDACTED] certification because the majority of its software, according to ITT, is being developed by one of its subcontractors, who is Level [REDACTED] certified.

We agree with the agency, however, that ITT’s proposal did not clearly show that the software capability of its team was equivalent to that of GDDS’s team. Specifically, in discussing software certification, ITT’s proposal stated that [REDACTED] firms developing software are Level [REDACTED] certified, whereas [REDACTED] of the remaining firms (including ITT) are Level [REDACTED] certified, and [REDACTED] firm is only Level [REDACTED] certified. ITT Technical Proposal at V2S2-29-30. In contrast, GDDS’s proposal indicated that [REDACTED] firms developing software (including GDDS) are Level [REDACTED] certified, while another firm, although currently certified at Level [REDACTED], is planning to achieve Level [REDACTED] certification by May 2004, and [REDACTED] firm is currently undergoing Level [REDACTED] certification. GDDS Technical Proposal, § 2.1.2.2. Although ITT’s proposal did state that its Level [REDACTED] certified subcontractor will take the “lead role in the software [Integrated Product Team],” nothing in the proposal indicated that this firm would be developing the majority of the software, as ITT now claims. To the contrary, ITT’s proposal reasonably indicated that a majority of the software processes would be performed only at Level [REDACTED]. ITT Technical Proposal, Fig. 2.1.2.2-1, at V2S2-30. In these circumstances, the agency reasonably concluded that GDDS’s proposal was more advantageous in this regard.

Core Module Manufacturing

ITT contends that the Army did not treat offerors equally in evaluating core module manufacturing capability.⁷ In this regard, the agency assigned GDDS’s proposal a significant strength under the Spiral 2 subfactor because, at the relevant time in performance, “the formation of [REDACTED] team members to qualify for core module manufacturing and provides a better pool for follow-on competitive awards than does the strength in [ITT’s] approach of qualifying [REDACTED] team members.” SSD at 6. ITT contends that it will qualify more teams per form factor by the relevant time in performance than will GDDS. However, the record shows that only [REDACTED] of ITT’s team members will perform [REDACTED] in the development of core modules. According to the agency, this will restrict the ability of the other firms to compete [REDACTED]. In contrast, since all four GDDS team

⁷ Core modules are interchangeable assemblies, which are the building blocks of the different types of radio sets. An example of a core module is a modem card, which can be installed in multiple computers. The core modules here comprise approximately 90 percent of the radio sets. COS, Aug. 30, 2004, at 17.

members serve as [REDACTED], the firms are better able to compete [REDACTED] for follow-on contracts. Accordingly, we find the assessment of a significant strength to GDDS's proposal, but not to ITT's, to be reasonable.

Waveform Storage

ITT contends that proposals were unfairly evaluated with respect to the number of waveforms—that is, software-defined signals—that could be stored in the radio sets. The RFP specified that the JTRS radio sets were to have sufficient storage capacity to store at least 2 waveforms for each small form fit radio, at least 6 waveforms for each handheld radio, and at least 10 waveforms for each manpack radio. PRS ¶ 3.5(f)-(h). The agency assigned GDDS's proposal a significant strength and ITT's proposal a strength for exceeding these requirements.

Although ITT asserts that its proposal also was entitled to a significant strength in this regard, the record supports the Army's determination that GDDS's proposal exceeded the requirements to a greater extent than did ITT's. GDDS proposed to store [REDACTED] waveforms (rather than the required minimum of 2) in the small form fit radios, [REDACTED] waveforms (rather than the required minimum of 6) in the handheld radios, and [REDACTED] waveforms [REDACTED] (rather than the required minimum of 10 for the whole radio) in the manpack radio. GDDS Technical Proposal, Figs. 119, 139 and § 2.2.3.1.1.4.E. In contrast, ITT proposed to store [REDACTED] waveforms in the small form fit radios; [REDACTED] waveforms in the handheld radios; and [REDACTED] waveforms in the manpack radios. ITT Technical Proposal at V2S2-36. ITT stated later during an equipment demonstration that the number of waveforms stored in [REDACTED] exceeded [REDACTED], and received credit for this capability. ITT Equipment Demonstration, Waveform Storage, at 13; SSA Final Briefing, ITT Slide 19. Thus, while ITT at most only indicated that it would exceed the storage requirements for [REDACTED] (based on the equipment demonstration representation), GDDS proposed to exceed the requirements for [REDACTED]. Although ITT now contends that the memory capacity of its radio sets exceeds that of GDDS's, and thus that ITT's handheld and short form fit radios can store more waveforms, it was not clear from ITT's proposal that the available memory would result in these radio sets being able to store more wave forms than ITT specified in its proposal. Since the relevant PRS requirement was stated in terms of the number of waveforms that could be stored, and not in terms of the amount of memory capacity, and ITT's proposal expressly indicated the number of waveforms that could be stored, we find no basis to question the agency's resulting conclusion that, because the number of wave forms proposed to be stored by ITT was less than the number proposed by GDDS, GDDS's proposal was superior in this regard.

ITT also complains that only GDDS's proposal received a significant strength for its ability to run all waveforms on each channel of the dual-channel manpack radios, which was a PRS objective, PRS § 3.2.1.e, despite the fact that ITT's radios assertedly

have the same capacity. However, ITT's proposal provided only for the [REDACTED]; it did not indicate that each channel could support every identified waveform, [REDACTED].⁸ ITT Technical Proposal at V2S2-58-59. To the contrary, ITT's proposal indicated that ITT's "channel 1" cannot support [REDACTED], and its "channel 2" cannot support [REDACTED]. Id. As the agency explains, if one or the other of ITT's channels malfunctions, the remaining channel cannot run all waveforms and thus certain communications become impossible. COS, Sept. 12, 2004, at 5. In these circumstances, we find that the Army reasonably concluded that GDDS's proposal, but not ITT's, met the PRS objective for the ability to run all waveforms on all channels, and that as a result, only GDDS's proposal deserved a significant strength in this area.

Common Core Modules

ITT challenges the Army's evaluation of the offerors' proposed approaches with respect to common core modules. Again, core modules are interchangeable assemblies, which are the building blocks of the different types of radio sets. The core modules here include Radio Frequency (RF) components, Baseband (digital signal processing) components, and Communications Security (COMSEC) for the various radio form factors required by the solicitation. ITT asserts that, although both ITT and GDDS proposed common core modules, the agency unfairly credited only GDDS's proposal with a significant strength, while it credited ITT's with only a strength.

The record, however, shows that GDDS proposed to use [REDACTED] common core modules to achieve required RF, Baseband, and COMSEC functionality for all form factors, while ITT proposed to use [REDACTED] modules to achieve the same functionality. The agency viewed GDDS's solution, with fewer modules necessary to achieve the same functionality, to be more advantageous because it "maximizes the reuse of circuit card assemblies for Spiral 2, reducing future acquisition costs and the logistics footprint[,] and providing improved operational capability to the end user." SSD at 5. Based on our review, we find this conclusion reasonable.⁹

⁸ Although ITT disputes whether GDDS's radios can run all waveforms on each channel without the aid of an external coupler to operate over high frequency waveforms, as discussed above, we find no basis for concluding that an external coupler is required, or that GDDS's radios cannot operate over all required waveforms as proposed.

⁹ ITT argues for the first time in supplemental comments that the agency improperly limited its evaluation to only core modules for RF, Baseband, and COMSEC functionality, and did not consider other common aspects of offerors' designs. This argument, filed more than 10 days after ITT's receipt of documents forming the basis for the protest ground, is untimely. 4 C.F.R. § 21.2(a)(2) (2004). In any case, the record does not support ITT's contention that the agency focused only on the core

(continued...)

[REDACTED] HMI

ITT asserts that GDDS's proposal was unfairly credited with a strength for proposing [REDACTED] human-machine interface (HMI)—that is, [REDACTED]—while assessing a weakness to ITT's proposal for proposing [REDACTED] HMIs. An HMI is where the radio operator and radio physically interact. In the case of the JTRS Cluster 5 radio, the HMI consists of the radio control knobs, on-off switch, keypad, buttons and display readouts. According to the Army, the use of [REDACTED] HMIs requires [REDACTED] training packages, which is considered a disadvantage. ITT contends that there are numerous references in its proposal to a [REDACTED] HMI, including words such as [REDACTED].

ITT's proposal, however, also included pictures of the proposed types of radios (handheld, manpack, and small form fit) in both single- and dual-channel layout, which clearly displayed [REDACTED] HMIs. *E.g.*, ITT Technical Proposal, Fig. 2.0-3, at V2S2-5. As the pictures show, [REDACTED]. Although ITT contends that the pictures were not intended to illustrate what the actual radios would look like since the radios have not yet been developed, nothing in the proposal stated that the pictures were not representative of what ITT proposed. It was ITT's obligation to submit a clear and unambiguous proposal, *United Defense LP*, *supra*, at 19, and it must bear the consequences where its proposal does not reflect its intended approach.¹⁰

AC Power

ITT asserts that GDDS's proposal was unfairly credited with a strength for proposing the capability for its handheld radio to operate on AC power while the radio's battery is simultaneously recharging, while ITT's proposal did not receive a strength for proposing the "same process." The record confirms, however, that there were meaningful differences between the proposals in this regard. Whereas GDDS proposed to recharge its handheld unit using [REDACTED], GDDS Technical Proposal, § 3.2.6.1.1, ITT proposed to use [REDACTED]. ITT Technical Proposal at V2S3-8, 28-29, 33. The agency found that ITT's design would be significantly more

(...continued)

modules for RF, Baseband, and COMSEC functionality. *See, e.g.*, SSA Final Briefing, GDDS Slide 10 ([REDACTED]).

¹⁰ ITT asserts that the agency was obligated to hold discussions concerning the evaluated weaknesses associated with its proposed HMI. However, we note that the weaknesses assessed were not viewed by the agency as significant weaknesses or deficiencies, and thus they did not have to be raised during discussions. *See* Federal Acquisition Regulation § 15.306(d)(3); *MCR Fed., Inc.*, B-280969, Dec. 14, 1998, 99-1 CPD ¶ 8 at 11.

cumbersome in that a soldier could not [REDACTED], but instead would first have to [REDACTED].¹¹ Agency Comments, Sept. 24, 2004, at 1; ITT Individual Evaluator Report at 3. Based on our review, we find that the agency could reasonably view GDDS's approach to recharging the radio battery to be less cumbersome and more advantageous than ITT's.

Removable [REDACTED]

ITT asserts that the evaluators unfairly credited GDDS's proposal with a strength for proposing a removable [REDACTED], without crediting ITT's proposal with a similar strength for proposing a removable [REDACTED]. However, the record confirms that ITT's removable [REDACTED] does not offer the same, significant benefits as GDDS's removable [REDACTED]. Because [REDACTED] have a high failure rate, the agency found that GDDS's removable [REDACTED] would enhance maintainability by affording the option of repairing or replacing only the [REDACTED] instead of needing to repair or replace the entire radio unit. SSD at 6. (In contrast, the agency found that ITT's design, which integrates the [REDACTED] within the radio, requires that the entire radio be sent to depot for repair or replaced when the [REDACTED] fails. COS, Aug. 30, 2004, at 25.) ITT has pointed to no comparable advantage offered by its removable [REDACTED].

PERFORMANCE RISK

ITT challenges the reasonableness of the Army's performance risk assessment. In this regard, the agency rated both offerors moderate for performance risk based on the past performance ratings of the offerors and their major subcontractors under five performance areas (as specified by the RFP), including conforming to specifications, cost control, contract schedules, managing subcontractors, and customer satisfaction. The RFP provided that a "negative finding under any aspect may result in an overall high risk rating." RFP § M, ¶ 4.2. A summary of the teams' ratings is provided below:

¹¹ We note that ITT also proposed [REDACTED] for its single-channel and dual-channel radios. ITT Technical Proposal at V2S3-33. It is not clear from the proposal whether [REDACTED] must also be purchased.

	Conforming to Specification	Cost Control	Contract Schedules	Managing Subcontractors	Customer Satisfaction	Percentage of Work Performed
ITT TEAM (overall moderate rating)						
ITT	Low	Low	Low	Low	Low	[REDACTED]
Sub A	Low	Low	Low	Low	Low	[REDACTED]
Sub B	High	Moderate	High	High	Low	[REDACTED]
Sub C	Low	Low ¹²	High	Low	Low	[REDACTED]
Sub D	Low	Low ¹³	Low	Low	Low	[REDACTED]
GDDS TEAM (overall moderate rating)						
GDDS	High	Moderate	Moderate	High	Moderate	[REDACTED]
Sub A	Low	Low	Low	Low	Low	[REDACTED]
Sub B	Low	Moderate	Low	Low	Low	[REDACTED]
Sub C	Low	Moderate	Low	Low	Low	[REDACTED]
Sub D	Low	Low	Low	Low	Low	[REDACTED]

SSA Final Briefing, Performance Risk Slides 23, 40.

ITT's overall moderate risk rating was largely attributable to the performance of its Subcontractor B, which had failed to meet the requirements, or was rated unsatisfactory, by multiple references on two of the three contracts evaluated. The most significant performance issues arose under the JTRS Cluster 1 contract, the predecessor contract to the effort here, where Subcontractor B acted as the prime contractor. According to the references, Subcontractor B incurred "cost, schedule, and performance overruns," and was having difficulties with its subcontractors, which problems the agency attributed largely to the prime (ITT's Subcontractor B). However, Subcontractor B also received unsatisfactory ratings under another contract in multiple performance areas. In fact, Subcontractor B received exclusively satisfactory ratings under only one of its referenced contracts, which was evaluated by only one reference. ITT Performance Risk Assessments.

Within the GDDS team, GDDS received moderate risk ratings in three of the performance areas (cost control, contract schedules, and customer satisfaction), and high risk ratings in two areas (conforming to specifications and managing subcontractors). These ratings primarily were due to performance issues arising under a "Digital Modular Radio" (DMR) contract. Although the evaluation ratings

¹² The Army explains that the low risk ratings for ITT's Subcontractors C and D in the cost control area were erroneous. According to the agency, Subcontractors C and D did not have any past performance information in the cost control area and, thus, the ratings should have been neutral. COS, Aug. 30, 2004, at 8.

¹³ As noted above, this rating was in error.

reflected the performance problems on the DMR contract, the agency took into account that GDDS had “inherited” this contract through an acquisition after the performance problems had arisen, and also that GDDS received satisfactory ratings for two other relevant contracts.¹⁴ The Army assigned moderate risk ratings under cost control to two of GDDS’s subcontractors, based on their performance as subcontractors under the Cluster 1 contract (the same contract for which ITT’s Subcontractor B was evaluated), but rated these firms low risk in other performance areas based on the agency’s conclusion that the remaining performance issues were largely attributable to the prime contractor, and also because these firms received numerous favorable assessments under four other contracts (two contracts for each firm) in each of these performance areas. GDDS Performance Risk Assessments; COS, Sept. 12, 2004, at 20, 22, 28.

In sum, considering the strengths and weaknesses of each teams’ past performance, the agency found that both proposals warranted an overall moderate risk rating, meaning that there was “some doubt” that the offerors could perform the proposed effort.

ITT raises a number of arguments as to why the performance risk assessment was unreasonable. We have reviewed each of ITT’s challenges and find that they furnish no basis for questioning the evaluation. We discuss the more significant arguments below.

ITT complains that the agency gave greater weight to the performance problems associated with its Subcontractor B’s Cluster 1 performance than it did to the performance problems of GDDS’s Subcontractors B and C on this same effort. However, as noted above, the agency took into consideration that many of the performance issues cited were attributable more to ITT’s Subcontractor B’s performance as a prime contractor than to the performance of the subcontractors (GDDS’s Subcontractors B and C) performing under the contract. Also, the agency took into account that ITT’s Subcontractor B did not perform satisfactorily under another of its contracts, whereas GDDS’s subcontractors performed satisfactorily under all other contracts referenced. COS, Sept. 12, 2004, at 24-28. Although ITT disagrees with the agency’s overall assessment of its Subcontractor B’s Cluster 1 performance relative to the other firms, it has not shown that the agency’s conclusions were unreasonable.

ITT asserts that its Subcontractor B’s high risk rating for subcontractor management should not have been considered in the evaluation because only ITT, and not Subcontractor B, will be managing subcontractors under this effort. In this regard,

¹⁴ Only one reference gave GDDS an unsatisfactory rating (in one area) under these other contracts, and the agency considered that GDDS implemented a satisfactory corrective action plan to address the concern. COS, Sept. 12, 2004, at 21.

ITT notes that the RFP stated that performance risk would be “based on the relevancy and recency of . . . past performance . . . as it relates to the probability of successful accomplishment of the RFP requirements.” RFP § M, ¶ 4.2. This same RFP section, however, further provided that the agency would evaluate the record of the offeror, including “its proposed major subcontractors and/or team members,” in “managing subcontractors.” *Id.* In any case, we find that the agency could reasonably view the performance of ITT’s Subcontractor B in managing subcontractors as relevant to its performance here. ITT proposed Subcontractor B as [REDACTED], with responsibilities including [REDACTED]. ITT Technical Proposal at V2S2-29-30. Given the proposed leadership role for Subcontractor B, we cannot find the agency’s evaluation of the firm’s ability to manage subcontractors to be unreasonable.

ITT asserts that the agency should have given greater weight to GDDS’s poor performance under the DMR contract, and that this performance should have resulted in an overall high risk rating for the team. However, as noted above, in rating the GDDS team, the agency took into account that GDDS had inherited the DMR contract after the initial performance problems had arisen; that GDDS had performed satisfactorily on two other relevant contracts; and that generally the other team members of the GDDS team had demonstrated successful contract performance. Given these considerations, the Army was unable to conclude that “significant doubt” existed as to the GDDS teams’ ability to perform, as would be required for an overall high risk rating, but only that “some doubt” existed as to performance. Accordingly, the agency assigned GDDS an overall moderate performance risk rating. Although ITT disagrees with this assessment, it has not shown it to be unreasonable.

COST EVALUATION

ITT generally asserts that the agency failed to perform, or adequately document, a cost realism analysis. ITT further contends that the agency should have adjusted GDDS’s proposed costs upward to account for costs associated with NSA certification risk and the need for an external coupler.

Our review of an agency’s cost realism analysis is limited to whether the analysis is reasonably based and is not arbitrary. Systems Integration & Research, Inc., et al., B-279759.2 et al., Feb. 16, 1999, 99-1 CPD ¶ 54 at 7-8. In this regard, an agency is not required to conduct an in-depth cost analysis or to verify each and every item in conducting a cost realism analysis; rather, the evaluation requires the exercise of informed judgment by the contracting agency, which is in the best position to make this cost realism determination. *Id.* The record here shows that an adequate cost realism analysis was performed.

As noted above, the contract here is primarily fixed-price. Only approximately 20 percent of the effort is cost-plus-award-fee and thus requires that the agency

perform a cost realism analysis. Although the contemporaneous record of the agency's cost realism analysis amounts to little more than briefing slides to the SSA, the agency has subsequently explained that, in conducting its analysis, the technical team reviewed the offerors' price proposals—including the proposed labor category mix, labor hours, types and quantities of materials, and types and quantities of other direct costs—to determine whether these were overstated or understated in light of the offerors' technical approaches. Declaration of Contract Price Analyst, Aug. 26, 2004, ¶ 2; COS, Aug. 30, 2004, at 12; Declaration of SSEB Chair, Sept. 9, 2004, ¶ 2. In addition, the Defense Contract Audit Agency audited both offerors and their team members, and performed a “verification of all rates and factors used to develop the cost proposals and a review of the proposed direct material, subcontract and other direct costs for understatement.” Declaration of Contract Price Analyst, Aug. 26, 2004, ¶ 4; COS, Aug. 30, 2004, at 12. The SSA was briefed on the results of the cost realism analysis and considered this in his source selection decision. SSA Final Briefing, Cost Factor Slides 1-10; SSD at 8; Declaration of SSA (Sept. 17, 2004) ¶ 3. No upward adjustment to GDDS's proposed costs was deemed necessary.

ITT argues that the agency explanation of its cost realism analysis, which was provided in the post-protest report to our Office, is little more than “post-hoc rationalizations” and must be accorded little or no weight, given the lack of contemporaneous documents to support it. See Boeing Sikorsky Aircraft Support, B-277263.2, B-277263.3, Sept. 29, 1997, 97-2 CPD ¶ 91 at 15. However, while we accord greater weight to contemporaneous source selection materials, we will nonetheless consider the entire record, including statements and arguments made in response to a protest, in considering whether an agency's source selection decision is supportable. Id. Where post-protest explanations provide sufficient detail by which the rationality of an evaluation decision can be judged, it is possible to conclude that the agency had a reasonable basis for the decision. Jason Assocs. Corp., B-278689 et al., Mar. 2, 1998, 98-1 CPD ¶ 67 at 6. Post-protest explanations that provide a detailed rationale for contemporaneous conclusions may, as is the case here, simply fill in previously unrecorded details, and will generally be considered in our review of the rationality of the selection decision as long as those explanations are credible and consistent with the contemporaneous record. Id.

ITT has not furnished any basis upon which to call into question the agency's explanation of its cost realism analysis, nor has ITT shown that the evaluated cost of GDDS's proposal was significantly understated. Specifically, with regard to NSA certification, ITT essentially argues that the fact that the agency found schedule risk associated with GDDS's need to obtain the required NSA certification required the agency to upwardly adjust GDDS's proposed price. However, the mere fact that a proposal poses some risk does not necessarily require an agency to upwardly adjust the proposal costs to reflect what may or may not happen in different circumstances, where the agency believes that what is proposed is most likely to happen. Vinnell Corp., B-270793, B-270793.2, Apr. 24, 1996, 96-1 CPD ¶ 271 at 6. Here, the agency did not find that additional costs were likely to be incurred, and we find no basis to

question this conclusion. With regard to ITT's contention that costs must be added for an omitted external coupler, as noted above, we find no basis to conclude that an external coupler is required. In summary, we find that the agency's cost realism evaluation is unobjectionable.

The protest is denied.

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General Counsel