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Decision

Matter of: Science Applications International Corporation

File: B-406460; B-406460.2

Date: June 7, 2012

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David H. Turner, Esq., Department of the Navy, for the agency.
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DIGEST

1. Protest that agency performed an unreasonable cost realism analysis is denied where agency reasonably concluded that the awardee could hire qualified personnel at its proposed labor rates.
2. Protest that agency unreasonably assigned protester an acceptable technical rating and awardee an outstanding rating is denied where the agency reasonably determined that the awardee, unlike the protester, proposed a detailed approach to accomplishing all of the solicitation requirements, as well as innovations and resources to better meet the needs of the agency and the personnel it serves.

DECISION

Science Applications International Corporation (SAIC), of McLean, Virginia, protests the Department of the Navy's issuance of a task order to Lockheed Martin Integrated Systems, Inc., of Bethesda, Maryland, under request for proposals (RFP) No. N00024-11-R-3341, for information technology services and systems support (ITSS) for the Navy Personnel Command. SAIC challenges the agency's evaluation of the technical proposals, and the cost realism evaluation of Lockheed Martin's proposal.

We deny the protest.

The solicitation was issued to holders of SeaPort-Enhanced multiple award contracts. The RFP provided for issuance of a cost-plus-fixed-fee task order, for a base year with 2 option years, to the vendor whose proposal represented the "best value" considering five factors: technical approach, corporate experience, past

performance, socio-economic plan, and cost. RFP at 52. Cost was to be evaluated on the basis of cost realism, that is, the offeror's ability to project costs which are realistic and reasonable and which indicate that the offeror understands the nature and scope of work to be performed. Id.

Three offerors, including SAIC (the incumbent contractor) and Lockheed Martin, submitted proposals. The proposals of SAIC and Lockheed Martin were evaluated as follows:

	SAIC	LOCKHEED MARTIN
Technical Approach ¹	Acceptable	Outstanding
Corporate Experience	Very Relevant	Very Relevant
Past Performance	Substantial Confidence	Substantial Confidence
Socio-Economic Plan	Acceptable	Outstanding
Overall Non-Cost	Acceptable	Outstanding
Proposed Cost	\$37,321,213	\$31,680,504
Evaluated Cost	\$37,321,213	\$32,842,656

Business Clearance Memorandum at 3, 6, 11. Based on the evaluation of Lockheed Martin's proposal as having the highest technical rating and lowest evaluated cost, the source selection authority determined that issuance of the task order to Lockheed Martin would result in the best value to the government. Id. at 15. Following a debriefing, SAIC filed this protest.

Cost Realism

SAIC, the incumbent contractor, asserts that the agency failed to perform a reasonable cost realism analysis of Lockheed Martin's proposal. Offerors were required to propose direct labor rates for 35 labor categories. SAIC asserts that the proposed direct labor rates of Lockheed Martin and its subcontractors were below SAIC's incumbent rates such that, given Lockheed Martin's proposal to retain up to **[REDACTED]** of the incumbent workforce, a reasonable cost realism analysis of Lockheed Martin's cost proposal would have resulted in an upward adjustment to Lockheed Martin's labor rates (and consequently its overall cost), as well as a negative risk assessment under the technical approach factor. In this regard, SAIC points to five labor categories where it believes a comparison of Lockheed Martin's proposed rates with SAIC's proposed rates demonstrates that Lockheed Martin's were not realistic: senior customer service representative, where SAIC proposed an hourly rate of **[REDACTED]** and Lockheed Martin **[REDACTED]**; supply technician analyst, where SAIC proposed rates between **[REDACTED]** and Lockheed Martin **[REDACTED]**; senior business functional expert, where SAIC proposed a rate of

¹ The possible ratings for technical approach were outstanding, good, acceptable, marginal, and unacceptable.

[REDACTED] and Lockheed Martin [REDACTED] ; Windows SQL administrator, where SAIC proposed a rate of [REDACTED] and Lockheed Martin [REDACTED] ; and production data entry operator, where SAIC proposed a rate of [REDACTED] and Lockheed Martin [REDACTED] . Lockheed Martin Price Proposal, att. 1 at 8; SAIC Price Proposal.²

The agency responds that in conducting the cost realism analysis of Lockheed Martin's proposal, it first contacted the Defense Contract Audit Agency (DCAA) for information on the direct labor rates of Lockheed Martin and its proposed subcontractors. Since DCAA did not have relevant rate information available with respect to Lockheed Martin, and because the direct labor rates proposed by Lockheed Martin were in a number of cases lower than those of the incumbent SAIC, the agency asked Lockheed Martin to explain how it developed its rates. Agency Report (AR) at 17. In response, Lockheed Martin explained that, consistent with its usual approach, it [REDACTED] Lockheed Martin E-mail, Feb. 2, 2012. The contracting officer reviewed the information and determined that it presented a reasonable approach to developing labor rates which supported a finding that Lockheed Martin's quoted rates were realistic.

DCAA likewise had no direct rate information for three of Lockheed Martin's proposed subcontractors--[REDACTED]. To evaluate the realism of these subcontractor rates, the agency with respect to [REDACTED] , reviewed USA jobs.gov for comparable labor rates and found that for two of the three proposed categories the rates were the same; for [REDACTED] , the agency compared the quoted labor rates to the federal government's General Schedule (GS) rates, and found that the rates were realistic for the Millington, Tennessee area where the contract will be performed; and for [REDACTED] , the contracting officer reviewed information at salary.com for similar labor categories to be performed in Millington. (For the fourth subcontractor, [REDACTED], the Defense Contract Management Agency reported that it took no exception to the proposed rates based on information from DCAA and various salary websites.) Id. at 17. The agency determined that the subcontractors' rates were realistic.

When agencies evaluate proposals for the award of a cost-reimbursement contract, an offeror's proposed estimated costs are not dispositive, because regardless of the

² On June 5, the agency provided our Office and the protester with a document from Lockheed Martin's cost proposal which had been inadvertently omitted from the agency report. The agency explains that this document contains Lockheed Martin's actual proposed labor rates, which are different from the rates in the document that was submitted with the report. Lockheed Martin's actual proposed rates, as reflected in this document, were higher than the rates cited in our decision, and thus further support the agency's position that the rates were realistic.

costs proposed, the government is bound to pay the contractor its actual and allowable costs. Federal Acquisition Regulation (FAR) § 15.605(d). Consequently, a cost realism analysis must be performed by the agency to determine the extent to which an offeror's proposed costs represent what the contract should cost, assuming reasonable economy and efficiency. CGI Federal Inc., B-403570 et al., Nov. 5, 2010, 2011 CPD ¶ 32 at 4. An agency is not required to conduct an in-depth cost analysis, see FAR § 15.404-1(c), or to verify each and every item in assessing cost realism; rather, the evaluation requires the exercise of informed judgment by the contracting agency. Cascade Gen., Inc., B-283872, Jan. 18, 2000, 2000 CPD ¶ 14 at 8. Because the contracting agency is in the best position to make this cost realism determination, our review of an agency's exercise of judgment in this area is limited to determining whether the agency's cost evaluation was reasonably based and not arbitrary. Hanford Env'tl. Health Found., B-292858.2, B-292858.5, Apr. 7, 2004, 2004 CPD ¶ 164 at 9.

We find the agency's cost realism analysis to be unobjectionable. SAIC assumes in its protest that a reasonable cost realism analysis must be based on a comparison of Lockheed Martin's proposed rates to SAIC's proposed rates or the rates it is currently paying the incumbent employees, such that a proposed rate which is less than the incumbent employee's rate was unrealistic. SAIC, however, has not provided any information which indicates that the direct rates Lockheed Martin and its subcontractors proposed were less than the current market rates for similar labor categories. Thus, there is no basis to find that the agency was unreasonable in concluding that Lockheed Martin would be able to hire qualified personnel, including at least some of the incumbent personnel.

In this regard, we note that Lockheed Martin's proposed staffing approach did not rely simply on hiring incumbent personnel. Lockheed Martin explained in its proposal that **[REDACTED]** Lockheed Martin anticipated being able to retain "up to **[REDACTED]** of personnel." Lockheed Martin Technical Proposal at 11-12. However, Lockheed Martin further explained that Lockheed Martin **[REDACTED]** Indeed, Lockheed Martin specifically noted that it had already identified and screened approximately 100 candidates. Id. at 12.

In any case, the extent to which the incumbent employees would be asked to accept a reduction in pay if they accepted employment with Lockheed Martin, is unclear from the record here. While SAIC has cited **[REDACTED]** labor categories where Lockheed Martin's proposed rates were lower than SAIC's proposed rates, SAIC has not furnished information on what these employees are currently being paid. Furthermore, there were in fact 35 listed labor categories in the solicitation, including categories where the proposed rates were similar or where Lockheed Martin's proposed rates were in fact higher than the rates proposed by SAIC. For example, while Lockheed Martin proposed a rate of **[REDACTED]** for the business functional analyst, SAIC proposed rates for four positions, including three at **[REDACTED]** ; while Lockheed Martin's proposed rate for the program manager was **[REDACTED]**

, SAIC's rate was [REDACTED], only approximately [REDACTED] higher; and while Lockheed Martin's proposed rate for the business application expert/operator was [REDACTED], SAIC's rate was only [REDACTED]. Lockheed Martin Price Proposal, att. 1 at 8; SAIC Price Proposal. Overall, the agency calculates that Lockheed Martin's average proposed direct rates were approximately only [REDACTED] lower than SAIC's. AR, att. 25.³ In sum, SAIC's protest furnishes no basis to question the reasonableness of the agency's determination that Lockheed Martin would be able to hire qualified personnel at the rates it proposed.

Technical Approach

SAIC asserts that the agency unreasonably assigned its proposal a rating of only acceptable under the technical approach factor. According to SAIC, the sole reason that its proposal was not rated higher is because it lacked detail regarding its technical approach. According to SAIC, this is inconsistent with the evaluation of its proposal which found that SAIC's approach, while lacking detail in some areas, nevertheless showed a thorough understanding of the requirements and represented a low risk of unsuccessful performance. SAIC further argues that Lockheed Martin's proposal should not have been rated outstanding under the technical approach factor since, according to the protester, the evaluators did not characterize Lockheed Martin's technical approach as outstanding in the narrative and in some cases stated that the risk of performance was low, not very low.⁴

In reviewing a protest against an agency's proposal evaluation, it is not our function to independently evaluate quotations and substitute our judgment for that of the contracting agency. Neopost USA Inc., B-404195, B-404195.2, Jan. 19, 2011, 2011 CPD ¶ 35 at 4. Rather, our review is limited to determining whether the agency's evaluation was reasonable and consistent with the terms of the solicitation and applicable statutes and regulations. United Def. LP, B-286925.3 et al., Apr. 9, 2001, 2001 CPD ¶ 75 at 6.

We have no basis to question the agency's evaluation that Lockheed Martin submitted a superior technical proposal. In this regard, the agency explains that the evaluators' primary concern was that while SAIC demonstrated a thorough understanding of the requirements, it did not provide a detailed approach to

³ Again, the document submitted by the agency on June 5 shows that the rates proposed by Lockheed Martin for these positions are higher than the rates cited in our decision.

⁴ SAIC asserts that under the internal evaluation guidelines, only a very low risk proposal can be rated outstanding. However, adjectival ratings themselves are merely guides for intelligent decision making in the procurement process. CACI Dynamic Systems, Inc., B-406130, Feb. 28, 2012, 2012 CPD ¶ 77 at 5.

accomplishing all of them. Further, according to the agency, SAIC did not describe in its proposal any new innovations, but instead indicated that it would continue to utilize the same approach that it was currently utilizing as the incumbent. In these circumstances, the evaluators did not believe that SAIC's description of its intended approach warranted a rating higher than acceptable. AR at 50. SAIC has made no showing that the agency's findings regarding its proposed approach were in error or otherwise were unreasonable.

Nor has SAIC refuted the agency's conclusion that Lockheed Martin offered a well drafted and thorough approach that not only demonstrated a thorough understanding of the solicitation's requirements, but also offered a number of innovative approaches to better meeting those requirements. For example, Lockheed Martin addressed in its proposal [REDACTED]. In this regard, [Lockheed Martin proposed to establish [REDACTED]. Lockheed Martin Technical Proposal at 19; Technical Evaluation at T-7. Under Lockheed Martin's proposed [REDACTED]. approach, [REDACTED]. Lockheed Martin Technical Proposal at 27; Technical Evaluation at T-9. In addition, Lockheed Martin offered to provide access to a number of corporate knowledge and technology resources that the evaluators considered value-added resources. These included [REDACTED]. AR at 53-54; Lockheed Martin Technical Proposal at 24; Technical Evaluation at T-8. According to the agency, it was Lockheed Martin's combination of innovative ideas and sound approaches and business practices that resulted in the outstanding rating. We conclude that, given Lockheed Martin's evaluated detailed approach to accomplishing all of the solicitation requirements, and its proposal of innovations and resources to better serve the needs of the Navy Personnel Command and the Navy personnel it serves, the agency reasonably determined that its technical proposal warranted a superior, outstanding rating. Accordingly, we see no basis to question either the technical evaluation or the resulting source selection.

The protest is denied.

Lynn H. Gibson
General Counsel