



Comptroller General
of the United States
Washington, D.C. 20548

3151910

Decision

Matter of: Tracor Applied Sciences, Inc.
File: B-253732
Date: October 19, 1993

L. Graeme Bell, III, Esq., Brian E. Sweeney, Esq., and Stephanie V. Corrao, Esq., Crowell & Moring, for the protester.

William M. Weisberg, Esq., Barton, Mountain & Tolle, for GPS Technologies, Inc., an interested party.

Elliott B. Branch, Eric Zukoski, Esq., and Susan Grooms, Esq., Department of the Navy, for the agency.

Aldo A. Benejam, Esq., and Christine S. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Award to technically lower-rated, lower-cost offeror is unobjectionable where, although the solicitation emphasized technical factors over cost, the solicitation did not provide for award on the basis of highest technical point score and the agency reasonably concluded that paying a 37 percent premium for the protester's higher-rated proposal was not warranted in light of the acceptable level of competence available at the lower cost.

2. Protest that agency improperly failed to consider awardee's proposed use of uncompensated overtime (UCOT) is denied where the record shows that agency evaluators considered the awardee's proposed use of UCOT and reasonably downgraded the awardee's proposal in the area of personnel--the second most important evaluation factor.

3. Agency reasonably relied on Defense Contract Audit Agency (DCAA) recommendations in performing its cost realism analysis of the awardee's proposed costs where the DCAA relied on recently audited rates rather than the awardee's estimates to project estimated future costs, and the contracting agency had no reason to question the validity of DCAA's methodology or recommendations.

DECISION

Tracor Applied Sciences, Inc. protests the award of a contract to GPS Technologies, Inc. under request for proposals (RFP) No. N00024-91-R-2134, issued by the Department of the Navy for engineering and technical services in support of the agency's tactical and strategic submarine programs. Tracor maintains that the Navy's selection of GPS, which received a lower technical score than Tracor but offered a lower evaluated cost, was unreasonable. Tracor alleges that the agency improperly deviated from the evaluation method announced in the RFP; that the agency failed to consider certain risks in GPS's technical proposal; and that the Navy's cost realism analysis was unreasonable.

We deny the protest.

BACKGROUND

The RFP, issued on August 1, 1991, contemplated the award of a cost-plus-fixed-fee, level-of-effort contract for a base year with up to four 1-year options.¹ Offerors were required to submit separate technical and cost proposals divided into two volumes. Section M of the RFP listed the following technical evaluation criteria in descending order of importance: 1) technical approach; 2) personnel; 3) corporate experience; 4) management approach; and 5) facilities.² The RFP stated that for each offeror, the agency would develop a projected cost to the government (i.e., evaluated cost) including options, and would evaluate proposed costs for realism, reasonableness, and validity. The RFP stated that the technical areas were more important than cost, and that the Navy may be willing to pay up to a 45 percent premium for a proposal with the highest evaluated technical score when compared with the acceptable proposal with the lowest technical score. Award was to be made to that responsible offeror whose proposal was most advantageous to the government.

¹The RFP consolidated into one contract the engineering and technical support effort previously obtained under three separate contracts. Tracor is the prime contractor under one of those contracts.

²The RFP also listed in descending order of importance subcriteria within each technical evaluation criterion.

Three firms, including Tracor and the awardee, responded to the RFP by the September 18, 1991, extended date for receipt of initial proposals. A technical evaluation review panel (TERP) evaluated proposals in accordance with the evaluation criteria announced in the RFP. Cost proposals were reviewed by a cost analysis panel but were not numerically rated. A contract award review panel (CARP) reviewed the reports issued by those panels, and concluded that Tracor had submitted the highest-rated, technically acceptable proposal with an initial total score of 92.84 points (out of a maximum possible score of 100 points), described as excellent. The CARP considered GPS's technical proposal, with an initial total score of 63.66 points, marginal. The CARP recommended that the proposals submitted by Tracor, GPS and the third firm be included within the competitive range and generated discussion questions for the offerors.

Based on Tracor's responses to discussion questions, the TERP increased that offeror's scores in the areas of technical approach, corporate experience, and management approach, resulting in a total final technical score for Tracor of 93.13 points. As a result of GPS's responses, the TERP found that GPS had improved its proposal in all evaluation areas, increased its final technical score to 68.66 points, and concluded that GPS submitted an acceptable proposal. The cost panel also reviewed the offerors' responses to the discussion questions and concluded that both offerors had responded satisfactorily to the cost panel's concerns regarding their cost proposals. Based on the TERP's and the cost panel's recommendations, the CARP determined that further discussions were not needed, and requested best and final offers (BAFO) from both Tracor and GPS.

The TERP did not reevaluate proposals following receipt of BAFOs because the proposals remained relatively unchanged or contained only minor modifications that did not affect technical scores. Based on the cost panel's cost realism analysis of BAFOs, Tracor's proposed costs were adjusted upwards from \$80,490,915 to \$80,596,534; GPS's proposed costs were adjusted downwards from \$59,142,157 to \$58,794,235, the lowest evaluated cost.

After reviewing the TERP and cost panel's reports, the CARP normalized technical scores to correct an inconsistency between the RFP and the source selection plan.³ The CARP's calculations resulted in final technical scores of 51.50 points for GPS and 69.85 points for Tracor. The CARP then analyzed whether any higher technically-rated offeror

³The correction of this inconsistency, on which Tracor bases part of its protest, is discussed in detail below.

proposed evaluated costs within the 45 percent premium range announced in the solicitation when compared with GPS's lowest-cost proposal. Although the other offerors' proposals received higher technical scores than GPS's, the other offerors' evaluated costs were substantially higher than GPS's. Specifically, the CARP concluded that it could not justify award to Tracor at its substantially higher cost. Finding that GPS had submitted a technically acceptable proposal and the lowest evaluated cost, and that the other higher-rated proposals, including Tracor's, fell outside the premium range announced in the RFP, the CARP recommended that the contract be awarded to GPS as the offeror whose proposal was most advantageous to the government. The contracting officer concurred with the CARP's findings and recommendations and awarded the contract to GPS on June 4, 1993. This protest to our Office followed.'

PROTESTER'S CONTENTIONS

Tracor alleges that the contracting officer's correction of the inconsistency between the source selection plan and the RFP improperly altered the relationship between technical factors and cost, making cost, rather than technical superiority, the determinative award factor, and that the agency's resulting cost/technical tradeoff was flawed. The protester alleges that the correction improperly relaxed the threshold for acceptable proposals, thus permitting GPS to remain in the competition despite its low technical score. Tracor also contends that the agency failed to consider the risks associated with GPS's use of uncompensated overtime and failed to conduct an adequate cost realism analysis of GPS's proposed costs.'

'Since the agency received notice of Tracor's protest within 10 calendar days of award, the agency has stayed performance under the contract pending our decision. See 4 C.F.R. § 21.4(b) (1993).

'In its protest, Tracor also argued that the awardee was not the same firm that submitted the initial proposal, and that the agency did not consider GPS's lack of corporate experience. The agency explained that before submitting initial proposals, the awardee was named the General Physics Corporation. The General Physics Corporation transferred its assets to the General Physics Services Corporation on September 25, after receipt of initial proposals. The General Physics Services Corporation then changed its name to GPS Technologies, Inc. on January 1, 1993. In commenting on the agency report, the protester did not take issue with the agency's response; we therefore consider Tracor to have
(continued...)

DISCUSSION

RFP/Source Selection Plan Inconsistency

The protester's principal contention centers around the following statement contained in section M 2.0 of the RFP, as amended, entitled "AWARD," which the parties describe as a "premium formula":

"The government will compare the evaluated cost (including proposed fee) of the offeror with the lowest evaluated cost (including proposed fee) which is technically acceptable to the evaluated costs of the higher scored, technically acceptable offerors. The government may be willing to pay a premium in total cost for a proposal which scores higher technically such that the movement of one (1) point in technical score equates to a movement of 1.50 [percent] in cost. This relationship permits the payment of up to a 45 [percent] premium for a proposal with the highest evaluated technical score when compared to the proposal with the lowest acceptable technical score. . . ."

According to Tracor, the cost premium created an incentive for offerors to prepare a superior technical proposal. Since Tracor believed the premium would offset the costs of proposing more technically qualified, more senior, and more experienced personnel, Tracor maintains that it prepared its proposal in a way that would satisfy the agency's expressed desire for a technically superior proposal, while not overlooking the possibility that a lesser-qualified offeror could submit a "low ball" proposal that would barely meet the threshold of technical acceptability. The protester asserts that if the maximum allowable cost premium the Navy was willing to pay for a higher-rated proposal was 45 percent when compared with the lowest-rated, technically acceptable proposal, and the premium is based on an increase of 1.5 percent in cost for every additional technical point, then the maximum technical score differential between acceptable proposals is 30 points (1.5 percent x 30 points = 45 percent premium). Tracor thus maintains that on a 100-point scale, the lowest acceptable technical score or "threshold" of technical acceptability is 100 - 30, or 70 points.

⁵ (...continued)
abandoned these aspects of its protest. Arjay Elecs. Corp.,
B-243080, July 1, 1991, 91-2 CPD ¶ 3.

Tracor asserts that the Navy changed the ground rules announced in the RFP in its award decision by expanding the point range between acceptable proposals from 30 points (based on a minimum acceptable score of 70 points) to 40 points (based on a minimum acceptable score of 60 points). By expanding the point spread for minimally acceptable proposals, Tracor argues, the contracting officer also deflated the value of the cost premium announced in the RFP because the 45 percent premium was spread over a maximum differential of 40 rather than 30 technical points. Thus, rather than 1.50 percent for every technical point announced in the RFP, the premium factor dropped to 1.125 percent, and the maximum cost premium the agency would consider in making award dropped from 45 to 33.75 percent.

The Navy explains that during the evaluation of BAFOs, the CARP discovered an inconsistency between the maximum range of potential numerical scores for technically acceptable proposals on which the RFP was conceptually based, and the range of potential numerical scores for technical acceptability delineated in the source selection plan. The source selection plan contained the following adjectival ratings and point scores shown in parenthesis: excellent (90-100); good (80-90); satisfactory (70-80); marginal (60-70);⁶ and unacceptable (0-60). Since a proposal rated "marginal" under that scheme was acceptable, the agency states, the maximum differential between technically acceptable proposals would be 100 - 60, for a range of 40 points. On the other hand, the agency states that based on a 100-point scale, the premium formula announced in the RFP implied a maximum range of 30 points between technically acceptable proposals.

Upon discovering the inconsistency, the contracting officer adjusted the scores assigned by the TERP so as to retain the 30-point maximum possible difference between the lowest- and the highest-rated technically acceptable proposals. This was accomplished by converting the 100-point scale used by the TERP to a 75-point scale and adjusting final technical

⁶The source selection plan defined a marginal rating in part as follows:

"Marginal indicates that in terms of the specific criterion or subcriterion the offeror may satisfactorily complete the assigned task; however, indicated weaknesses will diminish the quality of the offeror's performance in the affected area. A significant level of technical or management direction would be required by government personnel for the offeror to fully support program needs."

scores accordingly.⁷ Applying this formula, Tracor's final technical score was normalized as 69.85 points ($93.13 \times .75$); GPS's final technical score of 68.66 became 51.50 points.

The CARP then determined whether Tracor's higher-rated proposal had an evaluated cost within the premium identified in the RFP. The CARP first determined the difference between Tracor's and GPS's normalized technical score as 18.35 points ($69.85 - 51.50$). Applying the RFP's formula to that difference (18.35×1.5 percent) resulted in a cost premium ceiling of 27.53 percent. The agency then calculated the total cost that it would be willing to pay for a higher-rated proposal, including the premium, based on GPS's evaluated cost ($\$58,794,235 \times 1.2753$), for a total of $\$74,980,288$, and concluded that Tracor's evaluated cost ($\$80,596,534$) exceeded that amount. The agency also calculated whether Tracor's proposal had an evaluated cost within the premium using the TERP's original raw technical scores. The record shows that even without normalizing the technical scores, Tracor's evaluated cost exceeded the total amount that the agency announced it might be willing to pay for a higher-rated proposal.

Tracor argues that the agency's action changed the relationship between cost and technical factors, making cost more important, and ultimately controlling the award decision. According to the protester, the agency's methodology undermined Tracor's competitive strategy which it based on a threshold score of 70 points for technical acceptability.

The protester's argument that the agency's actions significantly altered the nature of the procurement from one focused on technical excellence to one focused on cost is without merit. By limiting the amount of total cost that the agency was willing to pay for a higher-rated proposal, the RFP clearly showed that cost would be an important factor in the award decision, and that the agency was not

⁷According to the contracting officer, the lowest acceptable score on the 100-point scale in the source selection plan is a score of 60 "marginal;" a score of 60 on a 100-point scale is equivalent to a score of 45 on a 75-point scale ($60/100 = 45/75$). Through application of the conversion formula, the minimally acceptable source selection plan score of 60 points was normalized to a score of 45 points, while the highest possible source selection plan score of 100 was normalized to 75 points. This formula retained the 30-point maximum differential between the lowest- and highest-rated acceptable technical proposals ($75 - 45$), consistent with the RFP.

willing to pay a premium beyond a certain predetermined range. Although the RFP stated that the Navy "may" be willing to pay a premium of up to 45 percent for the maximum difference between technically acceptable proposals, smaller differences in technical scores logically would be worth a correspondingly lesser premium. In other words, the RFP's premium language placed offerors on notice that the agency was not willing to pay an unreasonably high price for a higher-rated technical proposal, where a lower-cost, technically acceptable proposal was available.

Although Tracor submitted a proposal the TERP considered excellent, earning it a nearly perfect technical score, the agency concluded that its evaluated costs--almost \$22 million higher than GPS's--exceeded the premium it was willing to pay. Tracor's assumption that its technical excellence should have outweighed such a substantial difference in cost is unreasonable, particularly since under the RFP's scheme, even an excellent proposal receiving the maximum possible technical score would have to have an evaluated cost within a percentage of the cost proposed by the lowest-rated, technically acceptable offeror, making cost an integral component of the award decision. The fact that the agency eliminated Tracor from further consideration based on its higher costs in no way increased the importance of cost beyond that contemplated by the RFP.

The protester provides various calculations purporting to show how the contracting officer's normalization of technical scores deflated the 45 percent premium announced in the RFP. According to Tracor, had the agency applied the premium formula to the non-normalized technical scores, Tracor's proposal would have exceeded the premium by only 0.27 percent, while after normalizing the scores Tracor's proposal falls beyond the premium by 7.49 percent. According to the protester, its figures show that the agency's action potentially prejudiced the firm; specifically, Tracor maintains that it would have changed its proposal preparation strategy had it known that the agency in effect was willing to pay a lower cost premium for technical merit than the RFP indicated.

The record does not support a conclusion that there was a reasonable possibility that Tracor was prejudiced by the agency's action. Without normalizing the technical scores, the results of the premium calculations remain unchanged; i.e., using non-normalized technical scores Tracor's proposal falls outside the premium range the agency announced in the RFP it was willing to pay for a

higher-rated proposal.⁸ More important, the agency was not bound to select a higher-rated, higher cost proposal over a lower-rated, lower cost proposal, even if the premium involved fell within the range indicated in the RFP. The RFP stated only that the agency "may" be willing to pay up to a 45 percent premium; it was in no way bound to do so. On the contrary, even if cost is the least important evaluation criterion, an agency may properly award to a lower-cost, lower-rated offeror if it reasonably determines that the cost premium involved in awarding to a higher-rated, higher-cost offeror is not justified given the acceptable level of technical competence available at the lower cost. Carrier Joint Venture, B-233702, Mar. 13, 1989, 89-1 CPD ¶ 268, aff'd, B-233702.2, June 23, 1989, 89-1 CPD ¶ 594. Here, the agency states that even if it were to consider Tracor's proposal within the premium range under the protester's calculations, it could not justify paying a nearly \$22 million cost premium in light of GPS's acceptable, lower-cost proposal.

Tracor argues that normalizing technical scores improperly lowered the threshold for minimally acceptable technical proposals from 70 points to 60 points. Tracor maintains that had it known that the agency would apply the premium factor across a broader range of acceptable scores, it would have changed its proposal strategy and further reduced its costs in recognition that technical superiority was not as important as cost. The protester also maintains that the agency's action improperly permitted GPS to compete despite its low technical score. Under Tracor's theory, the Navy should have eliminated GPS from the competition since both its initial and final technical score (68.66) fell short of 70 points.

First, we believe that the CARP's adjustment of the technical scores was entirely proper. If the source selection plan had provided for a minimum score of 70 points for an acceptable proposal, as Tracor thought was the case, then the evaluators would have assigned GPS's proposal more than 70 points. Rather than changing the relative weights of technical factors and cost, the normalization sought to

⁸Tracor submits further calculations to argue that had the agency applied the premium formula to the non-normalized technical scores and to proposed BAFO costs, Tracor's proposal would have remained within the premium range. The protester's calculations are not useful, however, because in a cost-reimbursement contract, the offerors' proposed costs are not considered controlling, since they may not provide valid indications of the actual costs which the government is required to pay. Bendix Field Eng'g Corp., B-230076, May 4, 1988, 88-1 CPD ¶ 437.

place the Tracor and GPS proposals in the same relationship they would have been in if rated on the evaluation scale Tracor understood to have been required. Thus, Tracor's strained arguments based on the point scores received by the protester and GPS omit the key fact that GPS submitted an acceptable proposal and would have received more than 70 points if that were the dividing line between acceptable and unacceptable proposals.

Second, selection officials must decide whether the point scores show technical superiority and what the difference may mean in terms of contract performance. Arthur D. Little, Inc., B-243450, July 31, 1991, 91-2 CPD ¶ 106. Our analysis of the selection decision here, thus, focuses on the significance that the TERP and the CARP gave to the scores received by GPS. Accordingly, whether acceptable proposals should have scored above a hypothetical threshold of 70 points under the RFP's scoring scheme, or above 60 points under the source selection plan, is immaterial as long as the agency's conclusion regarding acceptability was reasonable.

Although the TERP identified several weaknesses in GPS's proposal, it concluded following BAFOs that GPS submitted an acceptable proposal. The CARP found that the weaknesses were likely to dissipate with performance, and ultimately concluded that GPS submitted an acceptable proposal. The record thus shows that both the TERP and the CARP carefully considered the potential risks in GPS's proposal and reasonably concluded that GPS submitted an acceptable offer. The fact that GPS's final technical score did not fall exactly within a hypothetical point-score range, as the protester argues, does not render unreasonable the agency's conclusion that GPS submitted an acceptable proposal.

Tracor claims that it would have changed its strategy had it known that the agency would consider acceptable a proposal scoring within the 60-70 point range. As discussed above, the agency effectively converted the point scoring scheme used by the evaluators to the one envisioned by Tracor. Under the relative weighting scheme set forth in the RFP, the agency reasonably selected GPS. Even if the technical scores had not been adjusted, Tracor's argument that the change from 70 to 60 points as a threshold score for technical acceptability was great enough to significantly affect Tracor's decision regarding how to balance technical merit against cost in its proposal is not credible. The protester has not provided a basis for us to conclude that had the protester known that 60 rather than 70 points would be the threshold score for a technically acceptable proposal, Tracor would have fine-tuned its proposal to such an extent that it would have overcome the nearly \$22 million

or 37 percent difference between the awardee's and the protester's evaluated costs.

Uncompensated Overtime

Tracor argues that the agency improperly failed to evaluate the risks allegedly associated with GPS's proposed use of uncompensated overtime (UCOT).⁹ According to Tracor, had the TERP properly evaluated the awardee's proposal with respect to UCOT, GPS's technical proposal would have received a lower score.

In considering protests against an agency's evaluation of proposals, we will examine the record to determine whether the agency's judgment was reasonable and consistent with stated evaluation criteria and applicable statutes and regulations. ESCO, Inc., 66 Comp. Gen. 404 (1987), 87-1 CPD ¶ 450. A protester's disagreement with the agency's judgment, without more, does not show the agency's judgment was unreasonable. Id.

The TERP recognized that GPS had proposed UCOT. Following the evaluation of initial proposals, the TERP found that the number of hours GPS proposed for a majority of its personnel exceeded 2,080 hours per year (described as full-time hours in the RFP). The TERP considered that a major deficiency and downgraded GPS's proposal under the personnel criterion, awarding GPS a total of only 59 points (out of 100 possible) for that criterion.

In its written discussion questions, the agency specifically requested GPS to explain any advantages to its proposing full-time personnel at more than the 2,080 hours per year. Based on GPS's response to that item, the TERP concluded that GPS's proposed use of UCOT was no longer a major weakness in its proposal. The TERP nevertheless concluded that GPS's responses did not warrant raising its score under the personnel criterion. Thus, contrary to the protester's argument, the agency considered GPS's proposed use of UCOT a weakness during the evaluation of initial proposals, downgrading the awardee in the personnel factor--the second most important evaluation criterion.

⁹"Uncompensated overtime" refers to the overtime hours (hours in excess of 8 hours per day/40 hours per week) incurred by salaried employees who are exempt from coverage of the Fair Labor Standards Act, 29 U.S.C. § 202 (1988). Under the Act, exempt employees need not be paid for hours in excess of 8 hours per day or 40 hours per week.

Tracor asserts that the TERP was unaware of the extent of GPS's proposed UCOT. The protester argues that had the TERP realized that GPS proposed 50-hour work weeks for its key employees, it would have reduced further the awardee's technical score under the personnel criterion.

The TERP was aware of GPS's proposed UCOT. In its response to discussion questions, GPS explained in detail how it arrived at total hours for employees: it proposed at 50 hours/week. GPS's revised technical proposal included a matrix which identified specific labor categories, personnel, hours assigned to each contract line item by employee, as well as the total number of hours assigned per years. That matrix shows that almost all of GPS's proposed key employees are to work 50-hour weeks. The TERP reviewed GPS's response to discussion questions and its revised proposal, and concluded that UCOT was not a weakness in the proposal.

Cost Realism Analysis

Tracor argues that the Navy's cost realism analysis of GPS's proposal was flawed because the agency failed to assess GPS's proposed use of UCOT; the agency did not include the cost for additional government support in GPS's evaluated costs; and the Navy improperly relied almost entirely on the recommendations of the Defense Contract Audit Agency (DCAA) for its conclusion.

When an agency evaluates proposals for the award of a cost reimbursement contract, the offerors' proposed estimated costs of contract performance are not considered controlling, since they may not provide valid indications of the actual costs which the government is required to pay. Federal Acquisition Regulation § 15.605(d); Bendix Field Eng'g Corp., supra. Consequently, an agency's evaluation of estimated costs should consider the extent to which an offeror's proposed costs represent what the contract should cost, assuming reasonable economy and efficiency. Arthur D. Little, Inc., B-229698, Mar. 3, 1988, 88-1 CPD ¶ 225. We limit our review of these matters to determining whether a agency's cost evaluation was reasonably based. Pan Am World Servs., Inc., et al., B-231840, et al., Nov. 7, 1988, 88-2 CPD ¶ 446.

Tracor relies on the absence of any references to UCOT in the cost panel reports to argue that the agency failed to consider GPS's proposed use of UCOT. The record shows, however, that both the Navy and DCAA analyzed GPS's cost proposal and concluded that GPS complied with the RFP's requirements regarding the use of UCOT. The record further shows that the cost panel did not consider GPS's proposed use of UCOT a weakness in its proposal that warranted

highlighting to the CARP. The cost panel analyzed and in many instances adjusted GPS's proposed direct labor mix. With few exceptions, GPS's proposed direct labor rates were accepted by DCAA and, thus, were incorporated into the government's final evaluated cost analysis. The record shows that the cost panel was aware that the firm had proposed UCOT for its key personnel and did not consider that a weakness. Rather than reflecting a failure to consider GPS's proposed UCOT, the absence of a discussion of GPS's proposed UCOT from the cost panel reports simply reflects the fact that neither DCAA nor the cost panel believed that GPS's proposed use of UCOT was a significant weakness or resulted in unrealistically low rates.

Tracor also maintains that the agency's cost realism analysis was unreasonable because the cost panel failed to discover that certain key personnel GPS proposed to work overtime were contingent hires, and that their commitment letters failed to state their agreement to work UCOT hours. Contrary to the protester's assertions, the record shows that the CARP considered GPS's proposed personnel compensation packages and proposed use of UCOT. The CARP concluded that given the state of the job market for engineers and support service personnel, GPS would have no difficulty finding and retaining qualified personnel at its proposed salaries. The mere fact that the commitment letters did not refer to specific UCOT hours does not show that the CARP's conclusion was unreasonable.¹⁰

The protester also argues that the Navy should have adjusted GPS's evaluated costs so as to include the costs to the government for assisting GPS perform the contract. We are not aware of any requirement in the RFP for the agency to consider such contract administration costs in the cost evaluation. Moreover, the agency states that the only additional costs to the government would be start-up costs and supplemental personnel. As for start-up costs, the CARP believed that any start-up costs resulting from GPS's experience level as compared with that of the incumbent would be minimal and would likely dissipate relatively

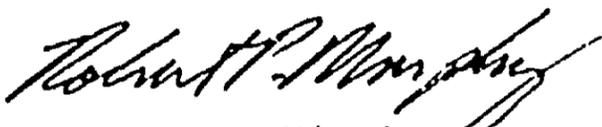
¹⁰Tracor also argues that GPS failed to comply with the RFP's requirement to provide a corporate policy statement addressing UCOT and failed to provide any evidence that it could "squeeze" overtime from its current employees. The record shows that in its BAFO, GPS provided a statement which delineated the company's UCOT policy and the agency considered that statement satisfied the RFP's requirement. GPS also cites several examples in its proposal of current contracts which it is performing on the basis of an extended work week, including two contracts which it is performing on the basis of a 50-hour week.

quickly with performance. As for providing supplemental personnel to GPS, the agency states that it is under a "severe hiring constraint," rendering it difficult to hire any staff to support GPS's contract. In view of the CARP's finding that the transition to GPS presented minor risks and given the agency's personnel hiring position, we think it was reasonable for the agency to not include any additional costs in GPS's evaluated costs.

Finally, Tracor argues that the agency unreasonably decreased GPS's proposed indirect rates based on recommendations by the DCAA, and suggests that the agency should not have accepted DCAA's recommendations. In its cost proposal, GPS stated that it intended to create a new division if it were awarded the contract, and proposed indirect rates based on its estimate of fringe benefits and overhead costs to be incurred during the term of the contract, 1993 - 1997. DCAA rejected GPS's estimates, however, recommending instead that the cost panel consider actual 1992 forward pricing rates based on rates applicable to the GPS division out of which the new division would be created.

We think that the agency's reliance on DCAA's recommendations was reasonable. The record shows that the 1992 forward pricing rates relied upon by DCAA had been audited only 4 months earlier and were derived from the largest GPS division, similar in size to the new proposed division. In light of GPS's actual indirect rates for the prior 2 years, and the fact that the work contemplated under the RFP would not change significantly over the term of the contract, we find unobjectionable DCAA's method for arriving at its figures. Nothing in the record suggests that the agency had any reason to question the validity of DCAA's methodology or recommendations. We thus find unobjectionable the cost panel's decision to rely on DCAA's expertise for predicting GPS's future rates. The fact that in some cases the rates DCAA recommended were generally lower than those GPS proposed does not affect our conclusion.

The protest is denied.


for James F. Hinchman
General Counsel