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## Decision

**Matter of:** R3 Government Solutions LLC

**File:** B-404863.2

**Date:** September 28, 2012

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Wayne A. Keup, Esq., Wayne A. Keup, PLLC, for the protester.  
William H. Butterfield, Esq., United States Coast Guard, for the agency.  
Susan K. McAuliffe, Esq., and Edward Goldstein, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

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### DIGEST

1. Protest challenging agency's technical evaluation is denied where the record reflects that the evaluation was reasonable and consistent with solicitation terms.
  2. Protest that agency failed to perform a price realism evaluation as required by solicitation is denied where the solicitation provided for realism assessment using proposal analysis techniques established under Federal Acquisition Regulation (FAR) § 15.404-1, and the agency assessed prices for realism based on comparison with prices received, among the methods identified under FAR § 15.404-1.
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### DECISION

R3 Government Solutions LLC, of McLean, Virginia, protests the award of contracts to six firms (DP George and Company, of Alexandria, Virginia; Crisis1, LLC, of Reston, Virginia; Advantage SCI, of El Segundo, California; Information Technology Coalition, Inc., of Alexandria, Virginia; Sayres and Associates Corporation, of Washington, DC; and Farfield Systems, Inc., of Catonsville, Maryland) under request for proposals (RFP) No. HSCG23-11-R-TABS00, issued by the United States Coast Guard for support services. The protester challenges the agency's evaluation of its technical proposal and contends that the agency failed to adequately evaluate the awardees' prices for realism.

We deny the protest.

## BACKGROUND

The RFP, issued on December 3, 2010, sought proposals for the award of fixed-price indefinite-delivery/indefinite-quantity (ID/IQ) contracts for technical, acquisition and business support services; multiple awards were to be made, on unrestricted and set-aside bases, for a variety of work domains. RFP at 2, 11, and 68. This protest concerns the business management, financial management, and audit support services domain of the RFP and relates to the contracts awarded for work set aside for service-disabled veteran-owned small businesses (SDVOSB). Id. at 3, 6. Awards were to be made to firms that submitted proposals determined to be most advantageous to the agency considering evaluation factors for experience/management approach, past performance, and price. Id. at 80. Offerors were advised that although the non-price factors combined were more important than price, price could become a more important factor for award among proposals of similar technical merit. Id.

Under the experience/management approach factor, the RFP required offerors to submit detailed resumes, demonstrating the education and experience of personnel proposed for the job positions described in the RFP--including, as relevant to this protest, the life-cycle cost estimating and cost analysis qualifications of the senior cost analyst. Id. at 73, attach. 10 at 7.

Regarding price, the RFP instructed offerors to propose ceiling hourly rates for required labor categories based on agency-provided labor-hour estimates, and rates to be applied to agency-provided cost estimates for materials, subcontracts (for supplies and incidental services), and travel/other direct costs. Id. at 76. According to the RFP, the agency would calculate each offeror's total evaluated price (TEP) as the sum of the offeror's extended labor prices (i.e., proposed labor rates multiplied by the RFP's labor-hour estimates), and the offeror's proposed rates for the other identified costs multiplied by the dollar-amount estimates provided in the RFP. Id. at 82. The RFP advised that proposals would be evaluated for accuracy, completeness, and reasonableness, that the agency would evaluate "proposed rates and prices to determine if they are realistic using proposal analysis techniques consistent with [Federal Acquisition Regulation (FAR)] § 15.404-1[.]" and that unrealistic pricing "may be grounds for eliminating a proposal . . . either on the basis that the offeror does not understand the requirement or has made an unrealistic proposal." Id. at 81-82. The RFP further established that the agency "may reject any proposal that is evaluated to . . . have unrealistically high or low costs when compared to Government estimates such that the proposal is deemed to reflect an inherent lack of competence or failure to comprehend the complexity and risks of the program." Id. at 82.

The agency received and evaluated 25 proposals from eligible SDVOSB firms under the SDVOSB set-aside portion of the RFP's business management, financial management and audit support services domain. Under the

experience/management approach evaluation factor, 14 proposals, including the protester's, were evaluated as satisfactory and were given further consideration for award.

In its evaluation of R3's technical proposal, the agency identified a single strength based on R3's corporate experience, as well as a significant weakness stemming from R3's failure to demonstrate the cost analysis experience and capabilities of its senior cost analyst. For past performance, R3's proposal was rated as exceptional. Of the 14 proposals that were rated satisfactory for experience/management approach and exceptional, very good, or neutral for past performance, R3 had the tenth highest TEP of \$412,776,503.08.<sup>1</sup> In light of the favorable technical capability demonstrated by the six lowest-priced satisfactory proposals, the agency determined that the premium of \$62 million (as compared to the awardee's proposal with the highest TEP) for an award to R3 was not warranted. Having determined that they offered the best value, the agency awarded the contracts to the six firms identified above. This protest followed.

## DISCUSSION

R3 contends that the agency unreasonably evaluated the experience and capabilities of its senior cost analyst.<sup>2</sup> In reviewing a protest against the propriety of an evaluation, it is not our function to independently evaluate proposals and substitute our judgment for that of the contracting activity. Barents Group, L.L.C., B-276082, B-276082.2, May 9, 1997, 97-1 CPD ¶ 164 at 6. Rather, we will review an evaluation to ensure that it was reasonable and consistent with the evaluation criteria in the solicitation and applicable procurement statutes and regulations. Id. A protester's mere disagreement with the evaluation does not show it lacked a

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<sup>1</sup> The six awardees' price proposals were evaluated as follows: DP George and Company, at \$305,513,800.77; Crisis1, LLC, at \$334,949,967.28; Advantage SCI, at \$335,251,819.28; Information Technology Coalition, Inc., at \$339,545,554.80; Sayres and Associates Corporation, at \$344,004,637.30; and Farfield Systems, Inc., at \$350,496,357.60.

<sup>2</sup> R3 also generally contends that since 14 proposals were rated satisfactory under the experience/management approach factor, the agency did not meaningfully differentiate between the satisfactory proposals and instead awarded the contracts solely on the basis of their lower prices. Our review of the record does not support the protester's challenge. The agency report reflects a comprehensive evaluation record, including a cost/technical tradeoff analysis of all 25 proposals received based on a consensus evaluation report that cites certain proposal strengths and weaknesses, and provides general statements of the proposals' compliance with solicitation requirements. The protester has provided no basis to question the reasonableness of the satisfactory ratings assigned to the awardees' proposals.

reasonable basis. Id. Our review of the record here provides no basis to question the reasonableness of the agency's evaluation.

As indicated above, the RFP advised offerors to detail the experience and qualifications of their proposed personnel with respect to the job descriptions set forth in the RFP. For the senior cost analyst position, offerors were to demonstrate that the individual proposed had the experience and qualifications to, among other things, "provide cost estimating and analysis support in areas such as existing pricing and rate structures" and to conduct "analytical studies involving complex technical parameters, logistics requirements, schedules constraints and similar cost-influencing factors." RFP attach. 10 at 7. They also had to demonstrate the individual's knowledge of "cost analysis organizations, data sources, and cost data utilization." Id.

Although the evaluators credited R3's proposed senior cost analyst for his extensive budget management experience, they found his resume reflected minimal relevant cost analysis experience. Our review of the record confirms the reasonableness of the evaluators' concerns in this regard. For instance, the resume of R3's senior cost analyst fails to discuss the individual's specific experience with several of the RFP's descriptions of the position for which he was proposed, such as conducting cost analyses of existing pricing and rate structures, or conducting analytical studies involving scheduling and logistics. R3's proposal also did not specifically demonstrate that its senior cost analyst has knowledge of cost analysis organizations, data sources and cost data utilization, requirements of the position set forth in the RFP. Accordingly, the record provides no basis to sustain R3's protest of the agency's evaluation of its proposed senior cost analyst.<sup>3</sup>

The protester next contends the agency failed to adequately evaluate the offerors' proposed prices for realism. In this regard, R3 contends that the agency should have evaluated the proposed prices based upon a range of sample tasks that may be ordered under the contracts, from simple to complex, to confirm that complex task orders can be accomplished at the labor rates and prices proposed by all offerors. R3's challenge suggests that the awardees' lower prices reflect an inability to perform more complex requirements.

Where, as here, an RFP contemplates the award of a fixed-price contract, the agency is not required to conduct a realism analysis; this is because a fixed-price

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<sup>3</sup> We note that although R3 contends its proposal should have received a rating of exceptional under the experience/management approach evaluation factor, our review supports the reasonableness of the agency's satisfactory rating in light of the weakness attributed to R3's senior cost analyst and the agency's indication that the single strength cited in the firm's proposal did not present a significant benefit to the agency.

(as opposed to a cost-type) contract places the risk and responsibility for loss on the contractor. See WorldTravelService, B-284155.3, Mar. 26, 2001, 2001 CPD ¶ 68 at 3. However, an agency may provide for the use of a price realism analysis for the limited purpose of measuring offerors' understanding of the requirements or to assess the risk inherent in an offeror's proposal. See PHP Healthcare Corp., B-251933, May 13, 1993, 93-1 CPD ¶ 381 at 5. The nature and extent of price realism analysis ultimately are matters within the sound exercise of the agency's discretion, and our review of such an evaluation is limited to determining whether it was reasonable and consistent with the solicitation's evaluation criteria. See Rodgers Travel, Inc., B-291785, Mar. 12, 2003, 2003 CPD ¶ 60 at 4. Based on our review, we find that R3's challenge of the agency's price realism evaluation furnishes no basis to question the awards.

The RFP established that price proposals would be evaluated for, among other things, reasonableness and realism, and that the agency would evaluate proposed rates and prices to determine price realism "using proposal analysis techniques consistent with FAR § 15.404-1." RFP at 81. The agency reports that a comparison of prices was utilized by the evaluators to assess price realism. Price Evaluation Report at 4-5. Such a comparison is among the proposal analysis techniques that may be used under FAR § 15.404-1, and "can be appropriate in a price realism analysis." Islandwide Landscaping, Inc., B-293018, Dec. 24, 2003, 2004 CPD ¶ 9 at 2. More specifically, the evaluators used the agency's estimated labor hours (multiplied by an offeror's proposed labor rates) and the agency's estimated costs for materials, subcontracts and travel/ODCs (multiplied by an offeror's proposed rates) to calculate a TEP for each offeror.<sup>4</sup> The evaluators compared each offeror's TEP to the others received, as well as to the median TEP, to identify outlier (high or low) pricing that indicated a lack of understanding of the work requirements or that otherwise provided performance risk to the agency. The awardees' prices were not found to be outliers; rather, the agency concluded that they fell within a relatively close range of prices among at least 10 of the 14 satisfactory proposals considered for award. For instance, the agency determined that each awardee's TEP was no more than approximately 15-percent less than the median TEP, and that all six awardees' prices were within approximately 12-percent

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<sup>4</sup> The agency explains that its initial total cost estimate was not used in the evaluation of the proposals because it was based on higher General Services Administration Federal Supply Schedule (FSS) rates and the RFP specifically advised offerors that the agency sought substantially lower prices than were available under FSS contracts for similar work. While the protester challenges the agency's decision in this regard, we find the agency's failure to question the realism of the proposed rates merely because they were lower than FSS rates unobjectionable where the protester has not provided any basis to question the firms' understanding of requirements or performance risk.

of each other.<sup>5</sup> Price Evaluation Report at 7. The evaluation record also shows that the awardees were found to have demonstrated relevant experience and familiarity with the RFP requirements and to have provided sound approaches to the work, thus providing no reason to question the firms' understanding of the requirements.

Although R3 asserts that the agency's price realism evaluation was inadequate, it has not shown that more was required. See Islandwide, supra; Mindleaf Technologies, Inc., B-294242, B-294242.2, Aug. 24, 2004, 2004 CPD ¶ 157 at 3; see J&J Maintenance, Inc., B-244366.2, Mar. 7, 1994, 94-1 CPD ¶ 177 at 8. For instance, R3 has not challenged the awardees' rates, shown that those rates are insufficient to perform as proposed by those firms, or that the rates should have indicated to the evaluators a lack of understanding of requirements. Rather, the protester contends that the agency was required to evaluate proposed rates against a sample range of tasks to assess possible variations in pricing for simplistic versus complex tasks. The RFP, however, did not provide for the type of analysis sought by R3 and, as noted above, the extent of a price realism analysis is within the sound exercise of the agency's discretion. Rodgers Travel, Inc., supra. R3 has provided no basis to sustain its challenge of the agency's price realism evaluation.

The protest is denied.

Lynn H. Gibson  
General Counsel

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<sup>5</sup> The protester's TEP was 14-percent higher than the median TEP. Id.