



United States Government Accountability Office  
Washington, DC 20548

**DOCUMENT FOR PUBLIC RELEASE**

The decision issued on the date below was subject to a GAO Protective Order. This redacted version has been approved for public release.

## Decision

**Matter of:** H P Enterprise Services, LLC

**File:** B-405917.2; B-405917.3

**Date:** April 23, 2012

---

Rand I. Allen, Esq., Kevin J. Maynard, Esq., Jon W. Burd, Esq., Tara L. Ward, Esq., and W. Brandon A. Avery, Esq., Wiley Rein LLP, for the protester.  
Karen R. Harbaugh, Esq., and Robert E. Gregg, Esq., Squire Sanders-US LLP, for Pragmatics, Inc., the intervenor.  
Brandon D. Porter, Esq., Department of Defense, for the agency.  
Christina Sklarew, Esq., and Guy R. Pietrovito, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

---

### DIGEST

1. In a procurement for the award of a fixed-price task order, an agency complied with the solicitation requirement to perform a price realism evaluation where the agency recognized that the awardee's lower price reflected lower staffing and concluded that the awardee could satisfactorily perform all the task order requirements with its proposed staffing.
  2. Protest that awardee failed to provide a fixed price for surge requirements is denied where the solicitation only identified a potential for surge and did not require offerors to provide prices for this surge.
- 

### DECISION

H P Enterprise Services, LLC (HP), of Herndon, Virginia, protests the issuance of a task order to Pragmatics, Inc., of Reston, Virginia, under task order request for proposals (RFP) No. E200450, issued by the Department of Defense, Defense information Systems Agency (DISA), for information assurance support for the Air Force Network Integration Center. The task order was issued under Pragmatics' ENCORE II contract with the agency.

We deny the protest.

## BACKGROUND

ENCORE II is a multiple-award, indefinite-delivery/indefinite-quantity contract that provides for the issuance of task orders for a broad range of information technology services throughout the Department of Defense. A number of firms hold ENCORE II contracts, including HP and Pragmatics.<sup>1</sup> These contracts include both fixed-price and time-and-material labor rates, and provide that vendors may discount their rates. Agency Report (AR) at 3.

The RFP provided for the issuance of a fixed-price task order for a 1-year base period and 4 option years for information assurance support services. Offerors were informed that the task order would be issued on a best value basis, considering the following evaluation factors: past performance, technical/management approach, and price. The RFP provided that the non-price factors were significantly more important than price. RFP amend. 2, at 3.

As relevant here, under the technical/management factor, the RFP provided that the agency would evaluate whether “[t]he contractor’s proposal provides the optimum mix of labor categories, labor hours, and other direct costs to meet the requirements” of the solicitation’s performance work statement (PWS). Id. The PWS did not specify a minimum required level of staffing, but rather, identified specific tasks that vendors were required to address in their proposals. See PWS at 3-10. Tasks were listed under four PWS “objectives,” which had to be performed by staff with designated information assurance certifications. Id. at 3. For example, staff performing Objective 1 Tasks, “Validated [Information Technology] Information Assurance (IA) Security or Networthiness Assessments,” were required to be certified information assurance specialists. Id. at 2, 14. The PWS identified three tiers of certifications and described the respective responsibility levels for each certification tier. Offerors were informed that certified personnel would only be permitted to work on objectives for which their level of certification was applicable. In this regard, the PWS identified as a minimum percentage of the overall number of certified staff provided, the percentage of staff that the contractor must provide for each certification tier. For example, the PWS provided that a minimum of 75 percent of the certified staff must have a tier 2 certification level. Id. at 15.

The PWS also identified historic workload levels for the 2011 fiscal year; for example, the PWS stated that the contractor had processed approximately 315 security or networthiness determination/recommendation staffing packages per month.<sup>2</sup> In addition to the identified specific tasks, the PWS provided that “[d]uring

---

<sup>1</sup> HP is the contractor that has most recently performed the majority of services solicited by the RFP here. Protest at 4.

<sup>2</sup> In response to an offeror’s question regarding the historic full-time equivalent (FTE) personnel levels for information assurance support tasks, DISA stated that  
(continued...)

the life of the contract, the Government may require surge and/or emergency (contingency) support,” which it defined as “short-term increases in the volume of technical tasks” based on such things as “real-world operations, higher headquarter taskings, and/or environmental (organizational/functional) changes directly related to this contract.” Id. at 16.

With respect to price, the RFP requested that offerors provide discounts to their contract rates and instructed offerors to provide detailed cost information for all resources (i.e., labor categories, labor hours, number of employees for each labor category) required to accomplish tasks. RFP amend. 2, at 1. The RFP provided that price proposals would be evaluated to determine whether they were reasonable and complete, and that completeness would be determined by verifying whether “all solicitation requirements [had] been priced, figures [were] correctly calculated, and costs [were] presented in a clear and useful format.” Id. at 3. In addition, the solicitation stated that the fixed rates would be “reviewed for realism to ensure the Government will not be placed at risk of nonperformance.” Id. at 1-2. Offerors were warned that “no terms, conditions, or assumptions will be entertained,” and that “[s]ubmission of terms, conditions, or assumptions included in your proposal may be cause for your proposal to be determined non-responsive to this RFP and may be excluded.” Id. at 4.

The agency received proposals from five offerors, including HP and Pragmatics, which were evaluated by the agency’s source selection team (SST). Pragmatics’ proposal was determined to offer the best value, and the SST recommended that the task order be issued to Pragmatics. The task order was issued to Pragmatics on September 29, 2011. Following a debriefing, HP protested to our Office, challenging the agency’s evaluation and selection decision. Prior to submitting a report in response to the protest, DISA informed our Office that it would reevaluate the firms’ proposals; conduct discussions and request proposal revisions, if necessary; and make a new selection decision. We dismissed the protest as academic.

During the course of the agency’s review, DISA reevaluated HP’s and Pragmatics’ proposals, and both of these proposals received identical color and risk ratings under the past performance and technical/management factors. AR, Tab 8,

---

(...continued)

past FTE levels for information assurance security assessments tasks had averaged between 40 and 50 FTEs. Offerors were also advised that DISA was looking for innovative, flexible, and efficient proposals, and that they should propose a staffing level that would provide the best value. See RFP amend. 2, Questions and Answers, No. 2.

Selection Recommendation Document, at 1. The SST noted, however, that Pragmatics’ proposal, which had many more identified strengths, was superior to HP’s. In addition, the evaluators found that “a limiting factor in [HP’s] technical proposal is that much of it is just a reiteration of past performance.” Id. at 10.

DISA also evaluated Pragmatics’ and HP’s price proposals, which were compared to the independent government cost estimate (IGCE):

	<b>Labor Hours</b>	<b>Price</b>
Pragmatics	[deleted]	\$26,323,745
HP	[deleted]	\$32,911,205
IGCE	360,720	\$29,409,289

Id. at 9. DISA determined that the difference in the offerors’ total prices and the IGCE was primarily due to the number of labor hours proposed. Id. With respect to Pragmatics’ proposed price, the evaluators recognized that the firm had “underbid the IGCE in the lifecycle cost amount and the total amount of labor hours.” The evaluators concluded, however, that Pragmatics’ proposed price was realistic, noting that the firm’s proposed staffing would “allow for best coverage of requirements at the best cost value” and that the majority of Pragmatics’ proposed workforce consisted of intermediate information assurance certified analysts. Id. at 9-10. In this regard, the agency concluded that Pragmatics had offered “an optimal mix of labor categories and hours that the Government believes will best meet the requirements for this effort.” <sup>3</sup> Id. at 10.

DISA again concluded that Pragmatics’ proposal offered the best value, and affirmed its issuance of a task order to that firm. This protest followed.

---

<sup>3</sup> Under the technical/management factor, the agency favorably noted:

[Pragmatics] plans to employ processes in use with other current customers to [deleted]. It also proposes the inclusion of [deleted] which exceed the requirements of the PWS. [Pragmatics] also proposes a proactive approach to [deleted] that will ensure efficiency and effectiveness in the contract performance.

AR, Tab 8, Selection Recommendation Document, at 10.

## DISCUSSION

HP raises numerous arguments challenging DISA's selection of Pragmatics' proposal.<sup>4</sup> Primarily, the protester contends that Pragmatics' proposal was based on an unrealistic staffing approach that the agency accepted without sufficient analysis or documentation. HP also contends that Pragmatics failed to propose a fixed price for all requirements, because the firm reserved the right to negotiate its price for surge requirements after issuance of the task order. We have considered all of HP's arguments, although we specifically address only the protester's major arguments, and find that none provide a basis to object to the agency's selection decision.

In reviewing protests against allegedly improper evaluations, it is not our role to reevaluate proposals. Rather, our Office examines the record to determine whether the agency's judgment was reasonable and in accord with the RFP criteria and applicable procurement statutes and regulations. See Sikorsky Aircraft Co.; Lockheed Martin Sys. Integration-Owego, B-299145 *et al.*, Feb. 26, 2007, 2007 CPD ¶ 45 at 4. A protester's disagreement with an agency's judgment, by itself, is not sufficient to establish that an agency acted unreasonably. Entz Aerodyne, Inc., B-293531, Mar. 9, 2004, 2004 CPD ¶ 70 at 3.

### Price Realism

HP contends that DISA failed to assess whether Pragmatics demonstrated a complete understanding of the PWS requirements and a plan to fully meet or exceed the PWS objectives. The protester emphasizes that the RFP required the agency to evaluate the contractor's proposal for risk, specifically including risks associated with unrealistically low labor rates and unreasonable staffing

---

<sup>4</sup> HP also contends that it should have received a higher past performance rating than Pragmatics, given that HP was the incumbent for these services. The agency responds that it considered the quality of each offeror's past performance separately, focusing on the scope and overall magnitude of effort and complexity in the submitted past performance references. DISA states that the assigned ratings were consistent with the RFP, which provided for this rating where "the government has a high expectation that the offeror will successfully perform the required effort." RFP, Enc. 10, Eval/Plan/Ratings, at 2. Although HP disagrees with this rating, its disagreement does not show that the agency acted unreasonably. HP also contends that DISA evaluated proposals disparately, where the agency noted strengths in Pragmatics' proposal that were allegedly also present (but not noted) in HP's proposal. We find that HP's arguments in this regard are not supported by the record. Here, too, we conclude that HP merely disagrees with the agency's evaluation judgment.

approaches. In this regard, HP contends that here, the agency's evaluation of staffing was unreasonable because it was based only upon overall staffing levels, allegedly without analyzing whether an adequate number of information assurance certified staff had been proposed. Supp. Protest at 15. HP also contends that Pragmatics proposed only [deleted] information assurance certified personnel, where the RFP had identified historic staffing levels to be between 40 and 50 FTEs.

DISA responds that the protester's complaints are misleading, given that the RFP did not identify a minimum number of FTEs that offerors were required to propose and the historic staffing levels have been decreasing each year. Supp. AR, at 20-21. In this regard, DISA states that HP has been providing only 75 percent of the workforce it provided in the first year of its task order. *Id.* at 20. DISA lists a number of examples of work required under the previous task order (being performed by HP) that are not included in the current RFP. Supp. AR, Affidavit of the SST Decision Authority, at 1. The agency also notes that Pragmatics's proposal satisfied the RFP's certification requirements. For example, the RFP required that at least 75 percent of the proposed certified staff have a tier 2 certification, and Pragmatics proposed that [deleted] percent of its certified staff would have this certification; the RFP required that at least 13 percent of the certified staff have a tier I certification, and Pragmatics proposed that [deleted] percent of its certified staff would have this certification.

Nonetheless, HP insists that the agency's price realism evaluation was unreasonable, because DISA did not assess individual elements of Pragmatics' price, such as its labor hour estimates for individual labor categories. Supp. Protest at 9. In support of its argument that the agency was required to perform a more detailed analysis of individual elements of Pragmatics' proposed price, the protester cites to our decision in TriCenturion, Inc.; SafeGuard Servs., LLC, B-406032 et al., Jan. 25, 2012, 2012 CPD ¶ 52. This decision, however, is inapposite, because it concerns the performance of a required cost realism analysis, and not the assessment of price realism.

Cost realism, which measures the likely cost of performance, is a mandatory consideration for the award of cost reimbursement contracts, because the government will generally bear the actual costs of performance. Cost realism is typically not a factor in the evaluation of proposals when, as here, a fixed-price contract is contemplated, because the government's liability is fixed and the contractor bears the risk of any cost escalation. J&J Maintenance, Inc., B-244366.2, Mar. 7, 1994, 94-1 CPD ¶ 177 at 10. However, since the government exposes itself to the risk of poor performance when a fixed-price contractor is forced to provide services at little or no profit, where a solicitation provides for the award of a fixed-price contract, or a fixed-price portion of a contract, an agency may provide in the RFP for the use of price realism analysis for the limited purpose of measuring an offeror's understanding of the requirements or to assess the risk inherent in an

offeror's proposal. See AMEC Earth & Env'tl., Inc., B-404959.2, July 12, 2011, 2011 CPD ¶ 168 at 8.

The depth of an agency's price analysis is a matter within the sound exercise of the agency's discretion. Computer Sys. Int'l, Inc., B-276955, B-276955.2, Aug. 13, 1997, 97-2 CPD ¶ 49 at 3. It is up to the agency to decide upon the appropriate method for evaluation of price in a given procurement, although the agency must use an evaluation method that provides a basis for a reasonable assessment of the cost of performance under the competing proposals. S.J. Thomas Co., Inc., B-283192, Oct. 20, 1999, 99-2 CPD ¶ 73 at 3. Accordingly, our review of a price realism analysis is limited to determining whether it was reasonable and consistent with the terms of the solicitation. Smiths Detection, Inc.; Am. Sci. & Eng'g, Inc., B-402168.4 et al., Feb. 9, 2011, 2011 CPD ¶ 39 at 17. Among the price analysis techniques that may be used are the ones the agency used here--comparison with other prices received under the solicitation and comparison of proposed prices with IGCEs. See FAR §15.404-1(b)(2).

From our review, we find no basis to question the agency's belief that Pragmatics would be able to perform the work with the staffing and approach it proposed. As described above, the agency specifically recognized in its evaluation that Pragmatics had proposed to use [deleted] labor hours and a [deleted] staff than did HP, and found that Pragmatics' approach was realistic.<sup>5</sup> In this regard, the evaluators found that Pragmatics had demonstrated an exceptional understanding of the PWS requirements and an exceptional approach to satisfying them. They also noted that Pragmatics had a deep breadth of experience that should allow the government to leverage best practices, streamline its processes, and maximize its resources. See AR, Tab 8, Selection Recommendation Document, at 10. Contrary to HP's claims, the RFP did not require an in-depth element-by-element analysis to the IGCE or an element-by-element comparison among the offered prices. While HP may believe that Pragmatics cannot perform the contract at its proposed price, HP's disagreement with the agency's judgment provides no basis to sustain the protest. See Team BOS/Naples-Gemmo S.p.A./DeJen, B-298865.3, Dec. 28, 2007, 2008 CPD ¶ 11 at 14.

---

<sup>5</sup> The agency also recognized that Pragmatics proposed [deleted] staffing than the IGCE, but that the IGCE was based upon HP's performance, on a time-and-materials basis, of the incumbent task order. DISA states that the IGCE "could not capture all of the potential cost savings that would result from the reduction in scope of the requirement[s] . . . and the shift from a time and materials to a firm fixed price contract." Supp. AR at 21.

## Surge Requirements

HP also contends that Pragmatics failed to propose a fixed price for surge requirements that HP asserts were required by the RFP. As noted above, the PWS provided that “[d]uring the life of the contract, the Government may require surge and/or emergency (contingency) support,” which it defined as “short-term increases in the volume of technical tasks” based on such things as “real-world operations, higher headquarter taskings, and/or environmental (organizational/functional) changes directly related to this contract.” PWS at 16. HP contends that these potential surge requirements were part of the RFP’s baseline requirements, which offerors were to price in their proposals. Supp. Protest, at 2. HP argues that Pragmatics did not do so, citing the firms’ technical proposal, in which Pragmatics stated:

Due to the indefinite nature of the surge requirement and that this task order is intended to be Firm Fixed Price, Pragmatics cannot provide a staffing or cost estimate for the surge requirement. The cost of this requirement will be negotiated at the time the additional labor is required.

Pragmatics' Technical proposal at b-10.<sup>6</sup> HP argues that, by expressly reserving a right to negotiate the price of providing surge support, Pragmatics had taken exception to a material solicitation requirement that rendered its proposal unacceptable.

The agency responds that the RFP did not require offerors to price the surge requirements. Rather, the agency states, this solicitation language was meant merely to inform vendors of a potential future need. Supp. AR, at 15. In this regard, the agency points out that the potential surge in requirements was not mentioned in the part of the PWS that addressed the scope of work and specific tasks required under the task order; instead, it was listed under “Other Pertinent Information of Special Considerations.”<sup>7</sup> The agency also points out that the surge was not described in the RFP as an immediate requirement, or even one that was currently anticipated, but rather, as a potential requirement that the agency might have in the future, which the contractor should be aware of and prepared to meet. Id. at 16-17.

---

<sup>6</sup> Pragmatics acknowledged in its proposal the potential surge requirements over the life of the task order, as identified in the PWS, and stated that it had sufficient [deleted] to rapidly respond to requests for surge personnel.

<sup>7</sup> This section of the PWS includes such things as possible follow-on work, the manner in which non-disclosure requirements should be identified, IA certification requirements, and property accountability requirements. RFP at 13-17.



We agree with the agency, based upon the plain language of the RFP, that the potential surge was not identified as an actual requirement that offerors were to price. We therefore do not view Pragmatics' statement that it had not provided for this eventuality in its price as "taking exception" to a material requirement.

Moreover, to the extent that the RFP can be read as requiring submission of a price for surge requirements, we see no reasonable possibility that HP was competitively prejudiced as a result of the agency's decision to waive that requirement. Here, HP states that including projected surge-related costs in its own proposal increased its proposed price by "more than \$[deleted]." Supp. Protest, at 7. Pragmatics' proposed price, however, is more than \$6.5 million less than HP's proposed price. Where there is no basis for finding competitive prejudice to the protester, we will not sustain a protest challenging the waiver of a solicitation requirement. Phoebe Putney Memorial Hospital, B-311385, June 19, 2008, 2008 CPD ¶ 128 at 4.

The protest is denied.

Lynn H. Gibson  
General Counsel