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United States Government Accountability Office
Washington, DC 20548

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Decision

Matter of: Lockheed Martin Corporation

File: B-410329; B-410329.2; B-410329.3

Date: December 11, 2014

Michael F. Mason, Esq., Brendan M. Lill, Esq., and Katherine L. Morga, Esq., Hogan Lovells US LLP, for the protester.
Lorraine C. Lee, Esq., Department of the Army, Corps of Engineers, for the agency.
Kevin P. Connelly, Esq., Kelly E. Buroker, Esq., Kirsten W. Konar, Esq., and Caroline A. Keller, Esq., Vedder Price, for Exelis Systems Corporation, an intervenor.
Glenn G. Wolcott, Esq., and Christina Sklarew, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Agency reasonably evaluated protester's technical approach as reflecting a significant weakness where protester's solution relied on upgrades to an information technology tool which would not be completely available for a significant period of time after contract award.

2. Agency performed a reasonable price/cost evaluation where it considered various elements of each offeror's proposal and concluded that awardee's proposal of substantially more, albeit less senior, personnel was reasonable, realistic, and represented the lowest risk.

3. Acceptability of an offeror's cost accounting system is a matter of responsibility, and the agency's post-source-selection dialogue with the awardee regarding the status of its accounting system did not constitute discussions.

DECISION

Lockheed Martin Corporation, of Gaithersburg, Maryland, protests the Department of the Army, Corps of Engineers' award of a contract to Exelis Systems Corporation, of Colorado Springs, Colorado, pursuant to request for proposals (RFP) No. W91WMC-13-R-0002 to provide information management/information technology (IM/IT) services. Lockheed protests that the agency misevaluated its proposal under the technical/business management factor; failed to perform a reasonable price/cost evaluation; and improperly conducted discussions with Exelis following the source selection decision.

We deny the protest.

BACKGROUND

In May 2013, the agency published the solicitation at issue, seeking proposals to provide enterprise-wide IM/IT services for the U.S. Army Corps of Engineers (USACE) at various locations throughout the country.[1] Among other things, the contractor will be required to operate and maintain infrastructure components; provide licenses and license maintenance; integrate, operate, update and maintain software; provide services in both classified and unclassified environments; and provide the levels of service specified in the solicitation for the various end users. AR, Tab 1, RFP, Performance Work Statement, at 37-39. Offerors were advised that award would be made on a best-value basis considering the following evaluation factors: (1) technical/business management;[2] (2) past performance; (3) small business participation plan; and (4) price/cost.[3] AR, RFP amend. 5, at 55-56.

The solicitation contemplated award of a "Fixed-Price Incentive Firm Target" (FPIF) contract,[4] with primarily FPIF contract line item numbers (CLINs) and a limited number of cost-plus-fixed-fee (CPFF) and time and material (T&M) CLINs.[5]

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[1] The solicitation sought support services for USACE headquarters in Washington, D.C., as well as at locations within 9 divisions and 44 districts across the country, including various field and area project offices and two data centers in Vicksburg, Mississippi and Portland, Oregon. Agency Report (AR), Tab 1, RFP amend. 5, at 4. Id.

[2] Under the technical/business management evaluation factor, the solicitation established the following subfactors: support for stable, evolving, and scalable mission solutions; program integration; and sample performance work statements. RFP amend. 5, at 57-58.

[3] Offerors were advised that the technical/business management factor was more important than the past performance and small business participation plan factors, which were of equal importance, and that the non-price/cost factors combined were significantly more important than the price/cost factor. Id. at 62-63.

[4] See Federal Acquisition Regulation (FAR) § 16.403-1.

[5] The RFP's baseline requirements are covered by the FPIF CLINs. Emergency and quick response requirements (for example, providing support for natural disasters) are covered by the CPFF and T&M CLINs. Contracting Officer's Statement at 2.

RFP amend. 9 at 5, 25-28. With regard to evaluation under the price/cost factor, the solicitation stated that "[c]ost realism analyses shall be performed on FPIF CLINs to evaluate risk in accordance with [FAR] 15.404-1(d)(3)," and that "[c]ost realism analysis of the CPFF and T&M CLINs will be performed for the sample Change Order PWS's [performance work statements] . . . in accordance with FAR 15.404-1(d) and (e)." RFP amend. 5, at 61. However, the solicitation provided ceiling amounts for the CPFF and T&M CLINs, and advised offerors that these ceiling amounts would be used to calculate total evaluated prices. Id.

Offerors were required to submit their proposals in separate volumes corresponding to the evaluation factors. Among other things, offerors were required to propose sufficient personnel, in appropriate labor categories, to perform the solicitation requirements, and propose fully burdened labor rates for the labor categories they proposed.[6]

In July 2013, proposals were submitted by six offerors, including Lockheed and Exelis.[7] The proposals were thereafter evaluated and assigned various strengths, weaknesses, and deficiencies. In evaluating Lockheed's proposal, the agency concluded that it offered inadequate staffing and failed to adequately explain how Lockheed intended to perform various aspects of the solicitation's requirements.[8] Additionally, the agency was concerned with Lockheed's reliance on an IM/IT tool referred to as "dataBoard 4.0," noting that this version of the IM/IT tool has not been

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[6] The solicitation identified labor categories that were used under the prior contract. AR, Tab 1, Initial RFP, attach. B. However, offerors were advised that the solicitation requirements differed from those under the prior contract, and the solicitation provided that offerors were not required to rely on the previously-used labor categories, stating: "Offerors are free to propose additional or replacement or removal of labor categories to match their technical proposal." AR, Tab 1, RFP amend. 5, at 52.

[7] The solicitation categorized the requirements into two areas--enterprise services and enterprise transport services--and permitted offerors to propose only enterprise services; propose only enterprise transport services; or propose both types of services. Both Lockheed and Exelis proposed to provide both types of services.

[8] Although Lockheed was the incumbent contractor, the solicitation requirements differed substantially from the requirements of the prior contract. Contracting Officer's Statement, Oct. 1, 2014, at 4. Among other things, the current solicitation established various "levels of service" that had to be provided for different end users that were not included in the prior contract; the current solicitation included quality assurance surveillance plan metrics, applicable to the field site level, that the prior contract did not include; and the current solicitation contained primarily fixed-price or FPIF CLINs, whereas most CLINs under the prior contract were cost-reimbursable. Id.

developed and Lockheed's proposal indicated it would not be fully deployed for up to two years after contract award.[9] AR, Tab 19, Evaluation Notice No. EN-TT-D-01-14, at 1.

In September 2013, the agency opened discussions and sent evaluation notices (ENs) to both offerors. Among other things, one of the agency's ENs for Lockheed stated:

> Throughout this section [addressing engineering design and support services] the Offeror discusses dataBoard 4.0. There is no tangible evidence of the product capabilities, how it will be developed, sustained, managed, and an understanding of how it will enable the Offeror to meet the requirements of the PWS. The timeline for full deployment of 2 years is unacceptable.[10]

Id.

In November 2013, the offerors submitted proposal revisions that included their responses to the various ENs. Among other things, Lockheed's revised proposal asserted that its proposed approach was "not reliant on dataBoard 4.0." AR, Tab 23, Lockheed's First Proposal Revision, at 1.1-9. Nonetheless, Lockheed's proposal continued to make multiple references to dataBoard 4.0, among other things stating that Lockheed intended to "use[] dataBoard 4.0 as [redacted]," id; that it was proposing [redacted] and would [redacted] "via dataBoard 4.0," id; that "dataBoard 4.0 provides [redacted], id. at 1.1-12; that "dataBoard 4.0 implements [redacted]," id. at 1.1-16; that dataBoard 4.0 would be used to [redacted], id. at 1.1-20; that "dataBoard 4.0 provides [redacted]," id. at 1.1-94, 95; and that "dataBoard 4.0 is a [redacted] for all end users that encapsulates [redacted]." Id. at 1.1-37.

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[9] The agency has described dataBoard as "a government/contractor developed enterprise dashboard and reporting system." Contracting Officer's Statement, Oct. 1, 2014, at 16. Lockheed has referred to "dataBoard 3.0" as the "current operational version," and stated that Lockheed's "approach to dataBoard 4.0 is to extend and evolve the existing . . . dataBoard 3.0 capability." AR, Tab 23, Lockheed's First Proposal Revisions (Nov. 21, 2013), at 1.1-9.

[10] This EN was only one of several related to Lockheed's reliance on dataBoard. Lockheed acknowledges that "[t]he Agency's specific concerns related to dataBoard were noted in the following Evaluation Notices: EN-TT-D-01-14 (ENs, 01, 11); EN-TT-D-03-14 (ENs 25, 26, 28, 34, 44, 46, 48, 49, 53, 59, 61); EN-TT-D-05-14 (ENs 67, 68); EN-TT-D-07-14 (ENs 81, 82, 83, 86); EN-TT-D-11-14 (ENs 123, 126)." Protest at 23.

In March 2014, the agency reopened discussions, once again identifying various ongoing concerns with the offerors' proposals. Once again, the agency expressed its concern regarding Lockheed's reliance on dataBoard 4.0, identifying multiple portions of Lockheed's proposal which indicated that dataBoard 4.0 "is a key component" of its proposal. AR, Tab 33, Additional ENs, at 16-17. The agency also addressed Lockheed's assertion that its proposal was not reliant on dataBoard 4.0, noting that this assertion was "in conflict" with multiple portions of Lockheed's proposal. Id. Accordingly, the agency advised Lockheed that its "need for dataBoard 4.0 for compliance is a weakness." Id. at 17.

In April 2014, the offerors submitted their final proposal revisions (FPRs). In its FPR, Lockheed simply deleted its prior references to "dataBoard 4.0," frequently referring instead to "dataBoard," without identifying a particular version of that tool, or to other software tools. See, e.g., AR, Tab 38, Lockheed FPR, at 1.1-14, 1.1-22, 1.1-25, 1.1-30, 1.1-35, 1.1-38, 1.1-42, 1.1-46, 1.1-47, 1.1-50, 1.1-51, 1.1-52, 1.1-53, 1.1-55, 1.1-56, 1.1-57, 1.1-58, 1.1-60, 1.1-64, 1.1-69, 1.1-70, 1.1-88, 1.1-96, 1.1-100, 1.1-105, 1.1-117, 1.1-120, 1.1-126, 1.1-127, 1.1-132, 1.1-133, 1.1-137.

With regard to staffing, Lockheed's FPR reflected an average total of [redacted] contractor man-year equivalents (CMEs) with a composite annual salary of [redacted]. Exelis's FPR reflected an average total of [redacted] CMEs with a composite annual salary of [redacted]. AR, Tab 51, Source Selection Decision Document, at 7. As permitted by the solicitation, Exelis proposed labor categories other than the previously-used labor categories.

Following the agency's evaluation of FPRs, Lockheed's and Exelis's proposals were rated as follows:

	Exelis	**Lockheed**
Technical/Bus. Mgmt	Outstanding	Acceptable
Past Performance	Relevant/ Substantial Confidence	Very Relevant/ Substantial Confidence
Small Business	Outstanding	Outstanding
Price/Cost	$516,756,481	$504,178,107

AR, Tab 51, Source Selection Decision Document, at 6.

On June 30, 2014, the source selection authority (SSA) selected Exelis's proposal for award. Among other things, the SSA's decision document stated:

> [Exelis's] proposal is Outstanding compared to [Lockheed's] Acceptable for Factor 1. Lockheed has only one significant strength, 10 strengths, one significant weakness and one weakness. The significant weakness is its reliance on dataBoard to perform the services required by the PWS even though there are a number of

> areas where capabilities being relied upon are not part of the current dataBoard. It also provides an inaccurate listing of current dataBoard capabilities. This reliance on capabilities which are not yet developed presents a high risk to successful contract performance and the ability to meet Service Level Requirements. While [Lockheed] does have a Very Relevant and Substantial Confidence rating in Factor 2, Past Performance, due to its incumbent status, I find that [Lockheed's] higher Factor 2 rating is not sufficient to overcome the very significant difference in the Factor 1 rating, which is weighed more heavily than Factor 2. I also note that there are significant differences between the prior contract requirements performed by [Lockheed] and the current requirements. The payment of an additional $12,578,373 over the entire contract period for [Exelis's] superior technical proposal clearly offers significant benefits to the government with very low risk of unsuccessful performance.

AR, Tab 51, Source Selection Decision Document, at 9-10.

Thereafter, Lockheed was notified of Exelis's selection for award. This protest followed.

DISCUSSION

Lockheed protests that the agency misevaluated its proposal under the technical/business management factor; failed to perform a reasonable price/cost evaluation; and improperly conducted discussions with Exelis following the source selection decision.[11]

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[11] In its report responding to the protest, the agency for the first time asserted that another offeror, identified as "Offeror E," was in line for award ahead of Lockheed; accordingly, the agency requested that we dismiss the protest on the basis that Lockheed does not have standing as an interested party to protest. AR, Legal Memorandum, Oct 1, 2014, at 41-45; see 4 C.F.R. § 21.0(a)(1) (2014). Here, the agency's report redacted virtually all information regarding "Offeror E" and, in our view, does not reflect any formal ranking of the offerors prior to award. Accordingly, based on the record presented, we did not dismiss Lockheed's protest for lack of standing.

Evaluation Under Technical/Business Management Factor

Lockheed first protests that it was unreasonable for the agency to assign its proposal a significant weakness based on Lockheed's reliance on dataBoard 4.0. Among other things, Lockheed asserts that the evaluation was flawed because Lockheed "made it clear that the proposed [dataBoard] updates . . . would be provided at Authorization to Proceed"[12] and that "Lockheed Martin's solution did not depend on any proposed upgrades to meet the [solicitation] requirements." Protest at 23.

The evaluation of an offeror's proposal is a matter within the agency's discretion, and this Office will not reevaluate proposals; rather, we will review an agency's evaluation to determine whether the agency's judgments were reasonable and consistent with the stated evaluation criteria. See, e.g., GC Servs. Ltd. P'ship, B-298102, B-298102.3, June 14, 2006, 2006 CPD ¶ 96 at 6. A protester's disagreement with an agency's judgments does not render the evaluation unreasonable. Id.

Here, as discussed in detail above, the record shows that the agency repeatedly expressed its concerns to Lockheed regarding its reliance on dataBoard 4.0.[13] The record further shows that, in its first proposal revisions, Lockheed failed to satisfy the agency's multiple concerns. More specifically, notwithstanding its assertion that it was "not reliant" on dataBoard 4.0, Lockheed's proposal continued to expressly reference that tool for numerous aspects of its proposed solution. In this regard, Lockheed's responses to the agency confirmed that dataBoard 4.0 does not yet exist and, by Lockheed's own admission, will not be completed for a significant period of time following award. See, e.g., AR, Tab 19, Lockheed Response to EN 25 (list of dataBoard 4.0 capabilities that Lockheed states will be delivered from [redacted] to [redacted] months "after ATP [authorization to proceed]."); AR, Tab 23, Lockheed's First Proposal Revision, at 1.3-3 ("[o]ver [redacted]% of the dataBoard 4.0 capabilities will be available at ATP.") Finally, in its FPR, Lockheed simply deleted its prior references to "dataBoard 4.0" and replaced them with numerous

[12] Although our review of the record, including Lockheed's submissions, did not disclose a particular time associated with the term "Authorization to Proceed," it is our understanding that this event would occur at some point after contract award.

[13] As noted above, Lockheed acknowledges that "[t]he Agency's specific concerns related to dataBoard were noted in the following Evaluation Notices: EN-TT-D-01-14 (ENs, 01, 11); EN-TT-D-03-14 (ENs 25, 26, 28, 34, 44, 46, 48, 49, 53, 59, 61); EN-TT-D-05-14 (ENs 67, 68); EN-TT-D-07-14 (ENs 81, 82, 83, 86); EN-TT-D-11-14 (ENs 123, 126)." Protest at 23.

references to “dataBoard” (without identifying a particular version of that tool) or to other software tools.

Lockheed’s assertion that its solution “did not depend on any proposed upgrades to meet the [solicitation] requirements,” see Protest at 23, is belied by the record. As discussed above, it is clear that multiple portions of Lockheed’s proposed solution did, in fact, depend on upgrades to the current version of dataBoard. We similarly reject Lockheed’s protest that the agency’s concerns regarding dataBoard 4.0 were unreasonable because, allegedly, the upgrades “would be provided at Authorization to Proceed.” Id. To the contrary, Lockheed’s proposal specifically recognized that a portion of the proposed upgrades would not be available at that time. AR, Tab 19, Lockheed Response to EN 25; AR, Tab 23, Lockheed’s First Proposal Revision, at 1.3-3. Accordingly, we find no basis to question the agency’s determination that Lockheed’s reliance on dataBoard to perform the services required by the solicitation constituted a significant weakness. Lockheed’s protest complaints challenging the evaluation of its proposal in that regard are without merit.[14]

Agency’s Price/Cost Evaluation

Next, Lockheed protests that the agency “failed to conduct a proper price/cost evaluation.” Protest at 35. More specifically, Lockheed asserts that “Exelis’[s] proposed salary structure is substantially less than that associated with the incumbent workforces,” maintaining that Exelis’s proposed salaries “are wholly insufficient to hire the quality and skill mix of personnel required by the [solicitation].” Id. Finally, Lockheed complains that, because Exelis’s proposal relied on different labor categories than the previously-used labor categories, the agency’s realism did not adequately consider the proposed rates and the assessment was “by definition unreasonable.” Supp. Protest, Nov. 13, 2014, at 1-2. We reject Lockheed’s assertions.

When an agency intends to award a contract with cost-reimbursement components, a cost realism analysis of those components must be performed. See FAR § 15.404-1(d)(1); Advanced Commc'n Sys., Inc., B-283650 et al., Dec. 16, 1999, 2000 CPD ¶ 3 at 5. Additionally, while award of a fixed-price contract does not generally require a cost realism analysis, see, e.g., Ball Aerospace & Techs. Corp., B-402148, Jan. 25, 2010, 2010 CPD ¶ 37 at 8 n.7, an agency may, as here, provide

[14] Lockheed also asserts that its proposal should have been evaluated as reflecting more strengths; that the agency failed to adequately document its various assessments; that the agency failed to meaningfully consider the significance, rather than the “sheer number,” of Exelis’s substantially higher staffing levels; and that the agency’s evaluation of technical proposals was unequal. We have considered all of Lockheed’s various allegations and find no basis to sustain its protest.

for such analysis in order to assess risk and/or an offeror's understanding of the solicitation requirements. See, e.g., Puglia Eng'g of Cal., Inc., B-297413 et al., Jan. 20, 2006, 2006 CPD ¶ 33 at 6; Star Mountain, Inc., B-285883, Oct. 25, 2000, 2000 CPD ¶ 189 at 2. In this regard, an agency is not required to conduct an in-depth analysis or verify each and every item to a scientific certainty, but rather must perform a reasonable evaluation. L-3 Sys. Co., B-404671.2, B-404671.4, Apr. 8, 2011, 2011 CPD ¶ 93 at 10. Our review of the agency's realism analysis is limited to determining that the agency's actions were consistent with the terms of the solicitation and provide a reasonable measure of confidence regarding contract performance. See, e.g., Serco Inc., B-407797.3, B-407797.4, Nov. 8, 2013, 2013 CPD ¶ 264 at 9.

Here, the solicitation contemplated award of a "fixed price incentive firm target" contract, with primarily FPIF CLINs and a limited number of CPFF and T&M CLINs.[15] RFP amend. 9, at 25-28. With regard to evaluation under the price/cost factor, the solicitation stated that "[c]ost realism analyses shall be performed on FPIF CLINs to evaluate risk in accordance with [FAR] 15.404-1(d)(3),"[16] and that "[c]ost realism analysis of the CPFF and T&M CLINs will be performed for the sample change order PWS's [performance work statements] . . . in accordance with FAR 15.404-1(d) and (e)." RFP amend. 5, at 61. Notwithstanding this provision requiring the agency to perform cost realism analysis on CPFF and T&M CLINs, the solicitation provided ceiling amounts for those CLINs and offerors were advised that those ceiling amounts would be used to calculate total evaluated prices.[17] Id.

In performing the price/cost evaluation, the agency's contemporaneous evaluation record reflects the agency's consideration and evaluation of multiple elements of the offerors' total evaluated prices. Specifically, with regard to the FPIF CLINs, the record indicates that a technical specialist reviewed the labor mix and number of hours reflected in each proposal to determine whether the price/cost proposal was realistic and consistent with the offeror's technical approach, calculating the number

[15] The RFP's baseline requirements are covered by the FPIF CLINs. A limited portion of the contract value is covered by CPFF and T&M CLINs which reflect the potential for emergency or quick response requirements (for example, providing support for natural disasters)--items that could not be quantified when proposals were submitted or evaluated and that may or may not be ordered. Contracting Officer's Statement at 2; AR, Tab 1, RFP amend. 9, at 26.

[16] FAR 15.404-1(d)(3) permits realism analysis for fixed-price contracts under limited circumstances, but provides that "offered prices shall not be adjusted as a result of the analysis."

[17] Under the heading "Total Compensation Plan," the solicitation also stated that "[p]lans indicating unrealistically low professional employee compensation may be assessed adversely in any award determination." RFP amend. 5, at 61.

of CMEs proposed by each offeror.[18] AR, Tab 44, Price Evaluation Team (PET) Report, at 4, 40-60. The analysis included consideration of the number of labor hours per site, adjusted for the locality rate per site. Id. Further, costs for travel, other direct costs, and phase-out costs were subtracted in order to isolate proposed labor costs. Id. Following the isolation of proposed labor costs, the agency calculated a composite annual salary by dividing the total proposed labor costs by the total CMEs proposed. Id.

With regard to the CPFF and T&M CLINs, the agency's technical evaluators reviewed the labor mix, labor hours, travel and other direct costs proposed to perform each sample PWS to evaluate for realism and consistency with the offeror's proposed technical approach. Id. at 5, 40-60. Additionally, the offerors' sample PWS proposals were compared to an adjusted independent government cost estimate (IGCE) to evaluate the offerors' understanding of the requirements. Id. Consistent with the terms of the solicitation--which provided ceiling amounts applicable to the CPFF and T&M CLINs and advised offerors that these ceiling amounts would be used for calculating total evaluated prices--no adjustments were made to the proposed costs. Additionally, each offeror's proposed burden rates were reviewed for consistency with forward pricing rate agreements; indirect rate information was obtained from the Defense Contract Audit Agency (DCAA); and that information was compared to the proposed rates. Id. Finally, target profit percentages were evaluated. Id.

Among other things, the agency's price/cost evaluation reflected the following calculations regarding some of the elements of each offeror's proposal:

	Exelis	**Lockheed**
Percent Target Profit (Dollar Amount)	[redacted] [redacted]	[redacted] [redacted]
FPIF Total	[redacted]	[redacted]
FFP Total	[redacted]	[redacted]
CPFF Total (ceiling)	[redacted]	[redacted]
T&M Total (ceiling)	[redacted]	[redacted]
Total Evaluated Price	$516,756,481	$504,178,108
CMEs (avg.)	[redacted]	[redacted]
Composite Annual Salary	[redacted]	[redacted]

AR, Tab 44, PET Report, at 8-9.

With regard to the offerors' total compensation plans, the agency considered the various elements of those plans. In evaluating Exelis's plan, the agency

[18] A CME was defined as 1880 labor hours. AR, Tab 44, PET Report, at 4.

noted that it included "Accidental Death and Dismemberment (AD&D) insurance, medical and dental subsidies, employee assistance program, Federal Insurance Contributions Act (FICA) , Federal Unemployment Insurance (FUI), State Unemployment Insurance (SUI), and Workers' Compensation." AR, Tab 44, PET Report, at 50. The agency further found that Exelis "develops position descriptions reflecting major duties and responsibilities, [and] compares these requirements with similar work and industry standard job descriptions to establish job categories and grade levels for positions." Id. In this regard, the agency observed that "[t]he midpoint of each salary range reflects competitive pay rates and is [redacted] and that Exelis "uses nationally recognized surveys from Towers Watson Data Services, Mercer, Western Management Government Contractors Survey, Comp USA, and Economic Research Institute to assess salary rates." Id.

In evaluating Lockheed's total compensation plan, the agency noted that "[n]amed individual salaries reflect the actual rate of the individual," and that "[o]ther salaries are determined by using company on-board averages, salary survey information, and the rates paid to [Lockheed] employees in comparable positions." Id. at 60. The agency further noted that Lockheed's compensation plan included [redacted] , and that [redacted]. Id. The agency further stated that "[s]alary ranges for any given position [are] determined by the job family's control point assignment, the PWI assignment (geography) and the level assignment of the position." Id. Finally, the agency noted that Lockheed "uses third-party industry surveys to assess the position of internal salaries relative to their competitors," and that "[t]hese surveys provide information on base pay, total compensation, and incentive pay, which in turn are used to determine salary structure and pay ranges." Id.

In considering the offerors' composite annual salaries, the agency noted that all of the offerors--except Lockheed--had composite annual salaries that ranged from approximately [redacted]. Contracting Officer's Statement, Oct. 1, 2014, at 44. In contrast, Lockheed's composite annual salary, of approximately [redacted], was more than [redacted] percent above this range. Id. In considering the risk associated with each offeror's proposal, the agency noted that Lockheed proposed a higher percentage of senior-level staff than Exelis, but also noted that Exelis proposed a higher percentage of intermediate-level staff, as well as a higher percentage of site-based staff. Id.; AR, Tab 44, PET Report, at 9. Based on all of the above, the agency concluded that both Lockheed's and Exelis's proposed costs were realistic, and that Exelis's proposal of substantially more, though less senior, personnel presented the lowest risk. AR, Tab 44, PET Report, at 40-60; AR, Tab 46, Comparative Evaluation of Proposals, at 53-56, 61-62.

Based on our review of the record, we reject Lockheed's assertion that the agency's price/cost evaluation was unreasonable. As noted above, the solicitation provided that the agency would evaluate the realism of offerors' proposals "in accordance with" FAR §§ 15.404-1(d) and (e). These FAR sections require evaluation of specific elements of offerors' price/cost proposals to assess realism, understanding of the requirements, and consistency with the proposed technical approach, and contemplate review of proposed prices/costs by evaluators who are knowledgeable regarding the solicitation's technical requirements.

Here, as discussed above, agency personnel, including the technical evaluators, performed various calculations of the offerors' proposed costs/prices, considering and comparing the various elements of the proposals to each other as well as to the IGCE. The agency's analysis further recognized that Exelis's total evaluated price reflected substantially higher staffing levels, including a higher percentage of site-based staffing, while Lockheed's total evaluated price reflected comparatively fewer, albeit more senior, staff. The agency's evaluation record further shows that Lockheed's proposed profit was nearly [redacted] percent higher than that proposed by Exelis. Finally, the agency's evaluation reflects cognizance of the fact that, as permitted by the solicitation, Exelis proposed labor categories other than those used under the prior contract. Accordingly, the agency recognized that it could not, and did not, perform a direct comparison of the labor rates proposed by the offerors. Nonetheless, based on all of the information considered, the agency concluded that Exelis's proposed rates and total evaluated price were reasonable and realistic, and that Exelis's proposal offered the lowest risk. Based on our review of the entire record, we do not question the reasonableness of the agency's determinations. Lockheed's protest challenging the price/cost evaluation is denied.

Exelis's Cost Accounting System

Finally, Lockheed protests that, following the source selection decision, the agency improperly conducted "discussions" with Exelis regarding the acceptability of its accounting system. Protest at 39. Accordingly, Lockheed asserts that the agency was required to reopen discussions with Lockheed.

Pursuant to the FAR, an agency may not award a cost-reimbursement contract unless the contractor's accounting system is found to be adequate for determining costs applicable to the contract. FAR § 16.301-3(a)(3). An agency's determination regarding the adequacy of an offeror's cost accounting system is generally a matter of responsibility. CAE USA, Inc., B-405659 et al., Dec. 2, 2011, 2012 CPD ¶ 40 at 12. In this regard, an agency's dialogue with an offeror regarding the acceptability of its accounting system does not constitute discussions, provided such dialogue does not seek, or result in, modifications to the offeror's proposal. McKissack+Delcan JV II, B-401973.2, B-401973.4, Jan. 13, 2010, 2010 CPD ¶ 28 at 6-8; see also KMS Solutions, LLC, B-405323.2, B-405323.3, Oct. 6, 2011, 2011 CPD ¶ 209 at 9-14.

Here, the solicitation advised offerors that, prior to performing a technical evaluation, each offeror's cost accounting system would be evaluated on a pass/fail basis. RFP amend. 5, at 63. At the time Exelis's proposal was submitted, its cost accounting system had been approved by DCAA. AR, Tab 3, Exelis Initial Proposal, Vol. IV at 1. During discussions, the agency noted that Exelis's proposal indicated its accounting and billing systems were undergoing audits, and asked Exelis to clarify the "approved" status of those systems. AR, Tab 18, EN-TT-B-04-08, at 3. Exelis responded by providing information regarding prior audits of its business systems, including data showing that its accounting system had been audited and approved in August 2013, and that its billing system had been audited and approved in September 2006. Id. at 3-4.

After FPRs were submitted, the agency performed a follow-up inquiry with DCAA and the Defense Contract Management Agency (DCMA) to determine the status of the offerors' accounting systems. Based on that inquiry, the agency determined that Exelis's accounting system had been disapproved, pending implementation of an approved corrective action plan, on April 30, 2014 (two days after submission of FPRs). Accordingly, on July 1, the day after Exelis was selected for award, the agency sought clarification from Exelis regarding the status of its accounting system. By letter dated July 2, Exelis advised the agency that "DCMA acknowledges that we are effectively implementing the corrective actions," adding that "[w]e have confidence the audit will result in a successful outcome with system re-approval." AR, Tab 53, Letter from Exelis to Contracting Officer. Thereafter, the agency communicated with DCAA regarding the status of Exelis's accounting system. AR, Tab 54, Memo for Record Regarding Meeting with DCAA; Tab 55, Letter to USACE from DCMA; Tab 56, Memo for Record Regarding Meeting with DCMA and DCAA. On August 14, Exelis's accounting system was approved; following that approval, the contracting officer made an affirmative responsibility determination with regard to Exelis. AR, Tab 57, Determination of Responsibility and Pre-Award Survey. The contract was awarded to Exelis on August 15.

Based on our review of the record discussed above, we reject Lockheed's assertion that the agency conducted discussions with Exelis and was, therefore, required to reopen discussions with Lockheed. As noted above, an agency's determination regarding the adequacy of an offeror's cost accounting system is generally a matter of responsibility, and exchanges regarding that matter which do not seek, or result in, proposal changes, do not constitute discussions. CAE USA, Inc., supra; McKissack+Delcan JV II, supra; KMS

Solutions, LLC, supra.

Here, the agency's communications with Exelis did not seek, nor result in, changes to its proposal. Rather, the agency requested and received information from Exelis regarding the ongoing status of DCAA's audit of its accounting system, a matter of responsibility. Accordingly, those communications did not constitute discussions, and the agency was not required to reopen discussions with Lockheed. Lockheed's protest to the contrary is without merit.

The protest is denied.

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General Counsel