Comptroller General
of the United States

Washington, D.C. 20548

Decision

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Matter of: Litton Systems, Inc., Amecom Division

File: B-275807.2

Date: April 16, 1997

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DIGEST

1. Protester's arguments that the cost realism adjustments made to its proposed costs were improper are denied where the record shows that the agency had a reasonable basis for its conclusions.

2. Contention that agency unreasonably evaluated protester's technical proposal, and improperly concluded that the awardee's higher-rated, higher-probable cost proposal offered the best value to the government is denied where the record shows that the agency evaluation was reasonable and in accordance with the stated evaluation criteria.

3. Protest challenging contracting officer's conclusion that there was no basis to discriminate between proposals in the area of performance risk is denied where the record shows that the contracting officer reasonably discounted the differences between the two performance risk assessments using her discretion in accordance with the stated weight of this factor in the evaluation scheme, and expressly documented her conclusion in the source selection decision.

4. Agency's attempt to make a value assessment of additional expenses associated with its selection decision, in addition to its technical evaluation and cost realism adjustments, is not per se unreasonable, so long as the value assessment has a rational basis and otherwise follows the evaluation scheme.

DECISION

Litton Systems, Inc., Amecom Division protests the award of a contract to Lockheed Martin Librascope under request for proposals (RFP) No. DAAM01-96-R-0028, issued by the Department of the Army for engineering and manufacturing development of a Joint Biological Point Detection System (JBPDS) for the military services. Litton contends that the selection of Lockheed's more costly proposal was based on an unreasonable cost realism analysis, and an irrational best value determination. In addition, Litton argues that the Army failed to hold meaningful discussions.

We deny the protest.

BACKGROUND

The RFP, issued on May 22, 1996, anticipated award of a 33-month cost reimbursement contract for study, design, fabrication, integration, installation, test and documentation for the JBPDS. The JBPDS will be comprised of modular devices that can be configured for use on various Army, Air Force, Marine Corps, and Navy platforms, e.g., wheeled vehicles, ships, and man-portable units. These devices will permit users to detect and identify airborne biological warfare agents. The statement of work required fabrication of two sets of prototype JBPDS components for engineering design testing, followed by fabrication of 28 separate JBPDS units for the various military services.

Potential offerors were requested to submit technical and management proposals, along with a cost proposal identifying estimated costs for labor, materials, subcontracts, and other costs organized by work breakdown structure (WBS) elements. The evaluation scheme advised that the Army would select the proposal offering the best value, to be determined after assessment of the proposals under five evaluation factors: (1) technical; (2) management; (3) probable costs; (4) performance risk; and (5) socio-economic commitment.

Section M.8 of the RFP advised that the assessment of the technical and management factors would be combined into a merit rating, which would be significantly more important than the remaining three evaluation factors. The merit rating was to be calculated on a 100-point scale, with up to 10 bonus points available for proposals offering advantages to the government. The remaining three factors--probable costs, performance risk, and socio-economic commitment--were not to be scored but were to receive a narrative evaluation. The provision also explained that probable costs would be slightly more important than performance risk, which would be more important than the socio-economic commitment factor. As with any cost reimbursement contract, offerors were advised that their cost proposals would be evaluated for realism and reasonableness to determine the most probable cost to the government. RFP § M.2.1.4.

By the initial closing date, the Army received proposals from Litton and Lockheed Martin. Both proposals were evaluated and found to be within the competitive range, and written and oral discussions were held with both offerors regarding weaknesses in their proposals. Both offerors were asked to submit best and final offers (BAFO) and both did so by the October 28 due date.

Upon review of the BAFOs, Litton's proposal received a merit score of 92.5 with probable costs of $30 million, compared with Lockheed's proposal's score of 105.3 with probable costs of $32.2 million. The Army next performed a "value analysis" to compare and quantify--in calculations separate and distinct from the cost realism review--certain differences in the proposed technical approaches. The total result of these calculations was a $3.9 million perceived savings associated with award to Lockheed, which was apportioned approximately as a $1.7 million increase in Litton's most probable costs, and a $2.2 million decrease in Lockheed's most probable costs. Agency Report, Tab D-7. A summary of the BAFO evaluation results is set forth below:

EVALUATION FACTOR	**LITTON**	**LOCKHEED**
Merit Score	92.5	105.3
-- Advantages	8	17
-- Disadvantages	17	2
Proposed Costs	$ [deleted] million	$ 31.8 million
Probable Costs	$ 30.0 million	$ 32.2 million
Value Analysis Costs	$ 31.7 million	$ 30.0 million
Performance Risk	Low to Moderate	Moderate
Socio-Economic Commitment	Acceptable	Acceptable

Using the information shown above, the source selection authority (SSA) explains her decision to select Lockheed for award was based on the following analysis:

-- a determination that Lockheed's proposal's 12.8 point margin of superiority over Litton's proposal in the most significant area of merit rating, together with Lockheed's greater number of advantages and fewer disadvantages, showed that the Lockheed proposal was technically superior to Litton's;

-- a determination that the $2.2 million lower probable costs for Litton's proposal were outweighed by Lockheed's superior technical proposal, especially given the

RFP's evaluation scheme which specified that merit rating would be significantly more important than probable costs;

- a determination that the difference in performance risk between the two proposals was not a basis for discriminating between the proposals (and neither was the identical rating given the proposals under the socio-economic commitment factor); and,

- a conclusion that the technical approach in the Lockheed proposal offered approximately $3.9 million in long-term cost benefits when compared to the technical approach in the Litton proposal, leading to an overall conclusion--shown in the value analysis row in the table above--that the Lockheed proposal offered the best value to the government by a margin of approximately $1.7 million.

Based on these conclusions, Lockheed received the award and Litton's initial and supplemental protests followed.[1]

COST REALISM ADJUSTMENTS

Litton raises four separate challenges to upward adjustments to its proposed costs made during the course of the agency's cost realism review. These adjustments were (1) costs associated with a 1,280 engineering hour BAFO increase in effort for one of Litton's subcontractors [deleted]; (2) costs associated with vendor engineer support from three vendors Litton claims would have provided these services for

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[1]As part of its supplemental protest filed after reviewing the agency's evaluation documents, Litton argues that the agency failed to apprise it of concerns that Litton's technical approach would result in schedule slippage of [deleted] months over the 33-month planned life of this contract. This issue is untimely. Litton's initial protest filing shows that the agency advised Litton during its December 17, 1996, debriefing that an adjustment was made to Litton's proposed costs to account for the agency's conclusion that Litton would experience a schedule slip of at least [deleted] months. Litton Initial Protest at 12. Although Litton challenged the adjustment itself, it did not argue that the Army failed to raise this issue during discussions until submission of its supplemental protest nearly 3 weeks after the debriefing. Under our Bid Protest Regulations, protests not based upon alleged solicitation improprieties must be filed not later than 10 days after the basis for protest is known. 4 C.F.R. § 21.2(a)(2) (1997). Where a protester initially files a timely protest and supplements it with new and independent grounds of protest, the new allegations must independently satisfy these timeliness requirements; our Regulations do not contemplate the unwarranted piecemeal presentation of protest issues. Miltope Corp.; Aydin Corp., B-258554.4 et al., June 6, 1995, 95-1 CPD ¶ 285 at 18.

free [deleted]; (3) costs associated with the packaging effort required by the RFP [deleted]; and (4) costs associated with the quality assurance requirements of the RFP [deleted].

When an agency evaluates proposals for the award of a cost reimbursement contract, an offeror's proposed estimated costs are not dispositive, because regardless of the costs proposed, the government is bound to pay the contractor its actual and allowable costs. Federal Acquisition Regulation (FAR) § 15.605(c) (FAC 90-31). Consequently, a cost realism analysis must be performed by the agency to determine the extent to which an offeror's proposed costs represent what the contract should cost, assuming reasonable economy and efficiency. CACI, Inc.-Fed., 64 Comp. Gen. 71, 75 (1984), 84-2 CPD ¶ 542 at 5. Contracting officers are required by the FAR to document this evaluation, FAR § 15.608(a)(1), and when properly documented, our review of an agency's exercise of judgment in this area is limited to determining whether the agency's cost evaluation was reasonably based and not arbitrary. General Research Corp., 70 Comp. Gen. 279, 282 (1991), 91-1 CPD ¶ 183 at 5, aff'd, American Managment Sys., Inc.; Department of the Army--Recon., 70 Comp. Gen. 510, 515 (1991), 91-1 CPD ¶ 492 at 7-8; Grey Advertising, Inc., 55 Comp. Gen. 1111, 1126 (1976), 76-1 CPD ¶ 325 at 27-28.

As part of our review of each of Litton's challenges, we have reviewed the pleadings, the evaluation materials, and the proposals and conclude that none of the adjustments was unreasonable. To illustrate, we will discuss two of these challenges in detail below.

Increase in Subcontract Effort Under WBS 3.1.1.1.2

With respect to the adjustment associated with an increase in engineering hours for one of Litton's subcontractors under WBS 3.1.1.1.2--for component and system integration design--the record shows that the adjustment was ultimately made in response to unclear information provided in Litton's BAFO, and was reasonable. Our reasons for this conclusion are explained below.

The RFP here required that cost proposals identify estimated costs for labor, materials, subcontracts, and other costs, organized by WBS elements. RFP § L.4.2. For WBS 3.1.1.1.2, Litton's BAFO included a list of its own labor hours, material costs, and other direct costs associated with performing this effort, followed by a list of the proposed costs associated with the efforts of six subcontractors. Litton BAFO, Cost Section at 3. This information was arrayed in tabular form to permit a comparison of the original proposed hours or costs, the change from the original proposal to the BAFO, and the final BAFO proposed hours or costs.

Litton's BAFO table for WBS 3.1.1.1.2 shows a total of seven changes from the original proposal to the BAFO. In every instance where the table shows a change, a corresponding note explaining the change follows the table. In every instance but the one at issue here, the note explaining the change permits a reader to calculate precisely the nature of the change.[2] However, for the subcontract at issue, the BAFO table shows a reduction of [deleted] from the original proposed cost of [deleted], for a BAFO cost of [deleted]. The corresponding note ostensibly explaining this cost reduction states that:

> "[Subcontractor A] added 1,280 design hours in order to ensure that the detailed design model is developed such that fabrication, producibility and design documentation efforts can progress efficiently with the compressed design cycle." Id.

Faced with the apparent contradiction between a decrease in proposal costs and an explanation outlining an increase in engineering hours, the Army evaluators concluded that Litton must have erred in subtracting this figure, and instead must have intended to add [deleted] to its original offer. Thus, the Army added the figure twice to Litton's BAFO--once to cancel the improper deduction; a second time to account for the increase in engineering hours--and added the appropriate overhead burden. Litton argues that the resulting upward adjustment of [deleted] to its proposed costs is unreasonable.

As an initial matter, we reject any suggestion that an adjustment in this area was unnecessary. In our view, Litton's BAFO reduction in proposed costs accompanied by an explanation that should have resulted in an increase in costs--i.e., an addition of more than 1,000 engineering hours for one subcontractor alone--created a reasonable presumption on the part of agency evaluators that something was amiss in the proposal. See Aircraft Porous Media, Inc., B-241655.2; B-241655.3, Apr. 8, 1991, 91-1 CPD ¶ 356 at 7, aff'd, B-241665.4, June 28, 1991, 91-1 CPD ¶ 613 at 6 ("[o]fferors who include inadequately explained cost reductions in their BAFOs on cost reimbursable procurements do so at their own peril"). Since this issue arose for the first time in Litton's BAFO, the agency was under no obligation to reopen discussions with Litton, or otherwise seek clarification from Litton, about what the BAFO entry meant. Mine Safety Appliances Co., B-242379.5, Aug. 6, 1992, 92-2 CPD ¶ 76 at 6-7. Thus, we limit our review to the question of whether the adjustment was reasonable.

With respect to the amount of the adjustment, Litton claims the amount was unreasonable because nothing in its BAFO suggests that the [deleted] reduction is

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[2]For example, for one of the proposed subcontractors the entire amount of the original proposed cost for this WBS is deleted from the BAFO costs. The corresponding note explains that the cost has been moved to another WBS. In other instances, the reductions for specific subcontractors have been explained as "management reduction of [deleted] [percent]" or "management reduction of [deleted] [percent]."

related to the 1,280 increase in engineering hours, and because the amount exceeds a reasonable estimate of the cost of 1,280 hours of engineering design time. In this regard, Litton divides the full amount of the adjustment [deleted] by 1,280 hours to show an hourly adjustment amount of [deleted]. Litton Final Reply, Mar. 17, 1997, at 26. Litton's challenges are unpersuasive and based on misleading calculations.

To accept Litton's claim that the agency unreasonably assumed a relationship between the adjustment and the engineering hour increase would require us to permit Litton to repudiate the very explanations it authored to justify its changes. First, the record shows that every other change in costs from the original proposal for this WBS was clearly explained. For example, the one other explanatory note detailing an increase in engineering time followed a corresponding increase in the cost table, while all the remaining notes explaining decreases in effort followed corresponding decreases on the cost table. Since the explanation offered for this particular change was an increase in engineering hours--which should have resulted in an increase in cost--we think the evaluators reasonably concluded that the dollar amount identified must be the cost of the engineering hours. In short, we cannot find fault with the agency for assuming that the offeror probably meant this explanation of an increase in engineering hours to be associated with an increase in costs, rather than a decrease. And likewise, we see nothing unreasonable about assuming--as a starting point--that the amount of the increase is the number shown on the table.

Litton's challenges to the agency's assumption--i.e., that the [deleted] figure must have been the cost of the engineering hour increase--rely on flawed calculations that greatly overstate the magnitude of the cost adjustment. For example, Litton's claim that the evaluators should have known that an adjustment of [deleted] per hour was unreasonable is based on calculations that do not withstand scrutiny. First, Litton is fully aware that the proposed costs in this area were analyzed without burden. Thus, the analysis should have begun with the unburdened sum of [deleted]. Second, Litton's calculation fails to recognize that half of the unburdened adjustment [deleted] is to correct the deduction believed to have been taken in error--a belief we consider reasonable since the only explanation for the deduction outlines an increase. Thus, to more accurately criticize the Army's approach, one should divide half of the unburdened adjustment [deleted] by the increase in engineering hours (1,280) to show a rate of [deleted] per hour.

While we are inclined to agree with Litton that it would have been preferable for the Army to have calculated the average hourly rate for this subcontractor's engineering time from Litton's initial proposal--which would have shown an average rate of [deleted] per hour--rather than to assume that the stated figure was the amount of the increase, we conclude that the agency's approach was reasonable in the context of the materials in front of the agency at the time it made its review. In addition, we do not consider the adjustment so excessive as to have required that the evaluators recognize that it was probably overstated.[3] In fact, given that Litton was ultimately responsible for creating the confusion regarding this issue, and given that the adjustment made on its face was not significantly out of line, we deny this challenge to the evaluation.[4] See Aircraft Porous Media, Inc., supra, 91-1 CPD ¶ 356 at 7-11.

Vendor Engineering Support

With respect to the agency's upward adjustment to Litton's proposed costs for engineering support from three vendors under the RFP's requirement for a reliability and maintainability (R&M) plan, the record shows that the agency added a total of [deleted]. This adjustment was made after Litton's BAFO provided no costs for these services, despite the agency's warning during discussions that the government believed Litton had inadequate commitments to complete the required efforts. For the reasons below, we agree with the agency's adjustment.

During oral discussions, the Army pointed out the following concern to Litton regarding its R&M plan:

> "The offeror appears to place more effort on quality planning and reliability engineering paper studies than actual performance. The [g]overnment is concerned that the offeror will not be capable of accomplishing the effort discussed in the technical proposal, or of meeting system requirements in the

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[3]The following calculations show that even if the agency had used the figures in Litton's initial proposal to calculate the adjustment, approximately two-thirds of the challenged amount would have been added to Litton's proposal anyway. First, the agency reasonably restored to Litton's proposal the amount of the unsupported deduction [deleted]. Second, using Litton's initially identified rate for this subcontractor would have resulted in an adjustment of [deleted] (1,280 hours x [deleted]/hr.). Adding these two figures together and adding burden results in an adjustment which equals approximately two-thirds of the challenged adjustment:

[deleted]

In our view, the difference between [deleted] and the adjustment actually made [deleted] is not so great that the evaluators were required to recognize that it was overstated.

[4]For the record, we note that even Litton's explanation for the reduction in its comments fails to say precisely how this change was calculated. Litton says only that the increase in engineering hours was at no cost to the government and that the reduction taken was due to decreases in the subcontractor's labor and overhead rates. Litton Comments, Feb. 18, 1997, at 24, n.15.

> performance specification without additional provisions for material and test support."

Litton Response to Oral Negotiations, Oct. 7, 1996, at 15 (quoting the Army's stated concern).

In its lengthy reply answering the agency's concern, Litton explained its commitment to this effort and stated that it would "exploit its extensive vendor partner network to develop hard data to support much of the R&M data requirement at no cost to the program." Id. In its BAFO, Litton provided letters from three vendors all promising "to support the efforts of [Litton] in evaluating devices for incorporation into the [JBPDS]." Litton's BAFO at the three unnumbered pages following page 46. Specifically, each of the three vendor letters promises to "provide engineering support to assist [Litton] in understanding the physical and electrical interfaces to assess the engineering integration effort necessary for the device incorporation into the JBPDS." Id. Litton's BAFO cost proposal included no costs for these efforts.

The Army explains that while it reviewed Litton's answer, and the vendors' letters, it was concerned that the vendors had made no explicit promise to provide engineering time for component evaluation and redesign effort for their respective components at no cost to the government. Since the Army believed that such efforts would be necessary, and since there was no clear promise that the effort would be provided without cost, the evaluators added approximately 1,000 hours of engineering time for this effort to Litton's cost. The resulting adjustment, with burden, totaled [deleted].

Litton claims that the adjustment to its costs in this area was unreasonable because it explained this matter to the agency, and because it produced letters from the three vendors promising to provide this effort at no cost. In addition, Litton argues that the Army should have accepted evidence Litton provided showing that this kind of effort was donated by vendors in a recent and similar Army program.

Our review of the record here leads us to conclude that the Army reasonably elected not to accept Litton's vague promises that its vendors would provide these services at no cost. First, the language of Litton's own response to the agency's stated concern is inconclusive. Litton does not say that all such effort will be provided at no cost, or that certain contractors will provide the effort at no cost. Rather, Litton only states generally that it will push its vendors to provide "much" of the R&M effort at no cost. In addition, the letters themselves are not explicit about this promise. Finally, Litton's claim that these services were provided by vendors at no cost on another program does not translate to a conclusion that the Army's cost realism adjustment here was unnecessary or unreasonable.

In short, despite Litton's complaints, it is the Army, not Litton, that must bear the risk if these vendors refuse to perform the needed services at no cost. See AmerInd, Inc., B-248324, Aug. 6, 1992, 92-2 CPD ¶ 85 at 8. Here, where the Army clearly attempted to convince Litton during discussions that it preferred to see an express commitment of resources to this effort, Litton is ultimately responsible for failing to respond to the Army's concern. See Rockwell Int'l Corp., B-250921.2, Apr. 21, 1993, 93-1 CPD ¶ 338 at 12 (Rockwell's challenge to a cost realism adjustment failed where Rockwell bore ultimate responsibility for failing to propose engineering hours to the appropriate WBS categories as the CO urged during discussions). Thus, we find nothing unreasonable in the agency's rejection of this claimed "free ride" from Litton's vendors. AmerInd Inc., supra.

BEST VALUE ANALYSIS

Litton raises two types of challenges to what it terms the "best value analysis"--a claim that the Army unreasonably concluded that the slight difference in past performance risk between Lockheed and Litton provided no basis to discriminate between the two proposals, and arguments challenging the value analysis applied to proposals after the determination of most probable costs. Although the conclusions regarding both of these issues are memorialized in the Army's final decision document--entitled Source Selection and Best Value Determination, December 9, 1996--the first involves an evaluation conclusion, while the second is more like a cost realism review.[5]

As outlined above, the best value decision in this procurement followed determinations that: (1) the Lockheed technical proposal was superior to Litton's technical proposal; (2) the $2.2 million lower probable costs for Litton's proposal were outweighed by the Lockheed proposal's superior technical approach; (3) the difference in performance risk between the two offerors provided no basis to discriminate between them; and (4) Lockheed's proposed technical approach offered approximately $3.9 million in long-term cost benefits over the Litton proposal. As a result, the SSA concluded that the Lockheed proposal offered the best value to the government by a margin of approximately $1.7 million.

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[5]In its early protest filings, Litton was confused by the use of the value analysis approach into claiming that the cost/technical tradeoff decision failed to consider the issue of performance risk, which was one of the evaluation factors in this procurement, and which Litton correctly argues could not be overlooked in any selection decision. However, unlike most best value procurements, the cost/technical tradeoff here was the penultimate step in the selection decision. It was followed by a properly documented selection decision which did, in fact, consider performance risk. It is Litton's challenge to the conclusion about performance risk--not where it is found--that we consider.

Evaluation of Performance Risk

With respect to Litton's challenge to performance risk, the record shows that the initial report on performance risk prepared by the Performance Risk Assessment Group (PRAG) on August 19 assessed Lockheed's past performance as presenting moderate risk, and Litton's past performance as presenting low to moderate risk. Lockheed's risk assessment was based on fairly negative views by PRAG members of Lockheed's prior performance on a contract very similar to the JBPDS effort here.

After the evaluation of BAFOs, and shortly before the award decision, the contracting officer asked the PRAG to revisit its initial negative assessment of Lockheed's performance risk. In an undated memorandum appended to the initial PRAG report, the PRAG made only minimal changes to the assessment of Lockheed's past performance rating. For example, the PRAG continued to rate Lockheed's performance risk as moderate and continued to express concern about whether Lockheed would be able to meet the performance and schedule requirements of the proposed contract. However, the PRAG deleted a comment that Lockheed "has not yet demonstrated any effective measures to reduce or eliminate problems experienced in previous contracts," and replaced it with a statement that Lockheed's "recent corrective actions have not been fully implemented to warrant an adjustment to the risk factor." Amendment to Performance Risk Assessment, Agency Report Tab F-1.2 at 1-2.

With both the initial and amended PRAG report for review, the contracting officer memorialized the following conclusion about performance risk in her December 9 Source Selection Decision:

> "[Litton] received a low to moderate risk and [Lockheed] received a moderate risk rating. Technical is significantly more important than all of the other evaluation factors. The technical superiority of [Lockheed's] proposal [outweighs] the difference in probable cost and the slight difference in performance risk. The performance risk is not considered to be a discriminator among the competing proposals."

Source Selection Decision at 3. Litton argues that this conclusion was unreasonable.

Our review of an evaluation conclusion like the one here is to ensure that it is reasonable and consistent with stated evaluation criteria and applicable statutes and regulations. ESCO, Inc., 66 Comp. Gen. 404, 410 (1987), 87-1 CPD ¶ 450 at 7. Based on the contemporaneous record, together with the supplemental materials prepared by the agency in response to this protest, we see no basis for concluding that the evaluation was unreasonable.

Initially, we note that Litton contends that our Office should not consider the supplementary agency materials prepared by the contracting officer in response to this basis of its protest. In the initial agency report, the contracting officer provided seven detailed findings explaining her conclusion that there was no basis to discriminate between the offerors in the area of performance risk. Contracting Officer's Statement, undated, at 40-41. These explanations do not conflict with the express decision in the contemporaneous source selection document, but provide a detailed rationalization for the conclusion there. These explanations are properly part of our review of the rationality of selection decisions, and we generally use all of the information provided in a protest, including the arguments of the parties.[6] Benchmark Sec., Inc., B-247655.2, Feb. 4, 1993, 93-1 CPD ¶ 133 at 7; Hydraudyne Sys. and Eng'g B.V., B-241236; B-241236.2, Jan. 30, 1991, 91-1 CPD ¶ 88 at 4-5.

Our review of the source selection decision shows that the document expressly considers the performance risk of Lockheed and Litton in the context of the relative weight of the performance risk factor in the evaluation scheme. Nothing about this conclusion either rejects the PRAG's concern, or violates the RFP's scheme. Instead, the selection official simply concluded that the concern was outweighed by the more important technical and management factors, and--given the relative similarity of the performance risk ratings--provided no significant basis for discriminating between the proposals. Despite the valuable service performed by the PRAG in candidly assessing Lockheed's past performance on a similar contract, selection officials are permitted to reach their own conclusions about how much weight to accord such information, provided their conclusions are reasonable and do not improperly disregard the evaluation scheme established by the RFP. Sarasota Measurements & Controls, Inc., B-252406.3, July 15, 1994, 94-2 CPD ¶ 32 at 10.

Also, the supplementary materials prepared by the contracting officer during the course of this protest provide further support for this conclusion. We have reviewed in detail Litton's challenges to the seven supplemental reasons given for the conclusion that there was no basis for discriminating between the proposals in the area of performance risk. Although some of Litton's arguments appear to have merit, we conclude that the record overall shows a rational basis for this exercise

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[6]Litton is apparently referring to--and misstating--our standard for reviewing later explanations and statements that are inconsistent with contemporaneous evaluation materials. In those cases, we will consider the entire record, including statements and arguments made in response to a protest, but will accord greater weight to contemporaneous source selection materials. DynCorp, 71 Comp. Gen. 129, 134 n.12 (1991), 91-2 CPD ¶ 575 at 7, n.13; Cygnus Corp., B-275181, Jan. 29, 1997, 97-1 CPD ¶ 63 at 8; Southwest Marine, Inc.; American Sys. Eng'g Corp., B-265865.3; B-265865.4, Jan. 23, 1996, 96-1 CPD ¶ 56 at 10.

of the contracting officer's discretion.[7] See Rockwell Int'l Corp., supra at 13-14 (agency's assessment of risk is reasonable even in the face of meritorious challenges to some of its bases, provided the assessment overall has at least a rational basis).

Challenge to the Value Analysis

With respect to Litton's challenge to the value analysis, as noted above the Army added a layer of evaluation after the determination of most probable costs. The value analysis made three adjustments to the offerors' probable costs--much like a cost realism review--based on differences in the offerors' proposed technical approaches. These were a quantification of (1) the probable cost impact of a [deleted]-month schedule slippage under Litton's approach, and a 1-month schedule acceleration under Lockheed's approach; (2) the probable cost impact of Litton's delayed ordering of fabrication materials due to price escalation; and (3) certain discriminators between the proposals which the agency calculated would result in cost savings under the follow-on effort associated with this program. Litton argues that the value analysis was an improper double-penalty for issues already identified in the technical evaluation, and challenges each of the three adjustments set forth in the value analysis.

As a preliminary matter, while value adjustments like the one here are not routine, agencies use such analyses to help them make informed judgments about the true cost of certain award decisions. For example, in Allied-Signal Aerospace Co., B-250822; B-250822.2, Feb. 19, 1993, 93-1 CPD ¶ 201 at 14-15, an agency applied an adjustment similar to the one here to a protester's fixed-price offer in order to quantify the cost of additional training ammunition that would be associated with a slippage in deliveries that the agency assumed would accompany award to the protester. In our view, there is nothing per se improper about such analyses so long as they have a rational basis. Id.

In addition, despite the protester's challenge to the particulars of this analysis, the agency has informed our Office that even if it rescinded the value analysis here--by

[7]As stated above, although Litton successfully rebuts portions of the contracting officer's supplemental reasons for her conclusion in this area, we consider reasonable her recognition of certain mitigating factors related to the PRAG's assessment. These include her consideration that performance on the similar contract described by the PRAG has improved since Lockheed's purchase of the company originally awarded that contract; her independent knowledge that recent corrective actions taken by Lockheed while performing that contract had improved Lockheed's previously strained relations with the agency; and her positive view of the role of Lockheed's major subcontractor, Battelle, whose participation was viewed favorably by the agency.

which it transformed a $2.2 million most probable cost advantage for Litton into a $1.7 million value advantage for Lockheed--the cost/technical tradeoff decision would amply support the award to Lockheed. CO's Statement at 34. We agree.

The cost/technical tradeoff decision (memorialized December 7, 1996, 2 days before the final Source Selection and Best Value Determination) reviews the relative strengths and weaknesses of the two proposals; discusses in detail (without quantification) the potential schedule slippage and other issues related to long-term value; and expressly concludes that the technical merit (the score combining the evaluation of the technical and management evaluation factors) of the Lockheed proposal is worth its $2.2 million higher probable costs. Given that the analysis embodied in the cost/technical tradeoff decision reasonably justifies selection of Lockheed, we fail to see how Litton is prejudiced by this final layer of analysis in which the Army attempts to quantify the relative long-term value associated with the award decision. See Colonial Storage Co.; Paxton Van Lines, Inc., B-253501.5 et al., Oct. 19, 1993, 93-2 CPD ¶ 234 at 16-17, recon. denied, Colonial Storage Co.--Recon., B-253501.8, May 31, 1994, 94-1 CPD ¶ 335.

In any event, we have reviewed the details of the analysis, and Litton's challenges to them, and find that the Army's adjustments were reasonable. For example, when we review Litton's challenge to adjustments associated with schedule slippage, we find that Litton wrongly alleges that these adjustments have no basis in the technical evaluation. In fact, the record is replete with evaluation references that consider the schedule impact of several Litton technical approaches as early as the initial evaluation materials.[8] Also, the record and the pleadings in this case show that the Army's calculation of the ongoing monthly cost of schedule slippage likely underestimates the cost of the slippage. In addition, there is no basis to conclude that Litton was penalized twice in these areas as the analysis is merely an attempt to calculate the cost impact of these issues identified in the technical evaluation. Under these circumstances, we find no basis to overturn the value analysis applied here. Allied-Signal Aerospace Co., supra.

The protest is denied.

Comptroller General
of the United States

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[8]For example, the initial technical evaluation of Litton's proposal includes such information at page 1, paragraphs 2.a.(2)(a) and 2.a.(2)(b); page 3, paragraphs 2.a.(6)(b), 2.a.(6)(c), and 2.a.(7); page 4, paragraphs 2.a.(11)(a), 2.a.(11)(b), and 2.a.(11)(d). This list is not conclusive, and further evidence is found in the BAFO evaluation as well.