Office of Dispute Resolution for Acquisition Federal Aviation Administration Washington, D.C.

FINDINGS AND RECOMMENDATIONS

Matter: Protest of Grant Thornton, LLP Under Solicitation No. DTFAWA-17-R-00017

Docket No.: 19-ODRA-00858

Appearances:

For the Protester:	Alexander J. Brittin, Esq., of Brittin Law Group, PLLC, and Jonathan D. Shaffer, Esq., and Mary Pat Buckenmeyer, Esq., of Smith Pachter McWhorter PLC
For the FAA Headquarters:	Justin V. Briones, Esq., and William Selinger, Esq.
For the Intervenor:	Craig A. Holman, Esq., Dana E. Koffman, Esq., Michael E. Samuels, Esq., and Amanda J. Sherwood, Esq., of Arnold & Porter Kaye Scholer LLP

Grant Thornton ("GT") challenges the award of a contract under Solicitation No. DTFAWA-17-R-00017 issued by the Federal Aviation Administration ("FAA") Office of Finance and Management. The solicitation sought proposals for Enterprise Financial Services ("EFS") in support of the FAA's Office of Financial Services. *Agency Response* ("AR") Tab 5, § C.1. The awardee, Ernst & Young, LLP ("EY"), intervened in the protest. The potential value of its contract is over \$134 Million.

GT's Protest asserts that the FAA failed to conduct a price realism analysis allegedly as required under solicitation § M.2.1.2, and Acquisition Management System ("AMS") procurement and pricing guidance. *Protest* at 12-14; *GT Comments* at 2. GT also alleges that the FAA's best value determination was based on flawed and erroneous assumptions and was therefore improper. *Protest* at 15-16; *GT Comments* at 11. Additionally, GT alleges that the FAA's failure to comply with the solicitation's evaluation criteria effectively converted the stated method of award from best value to low price/technically acceptable, and caused its technical proposal to be evaluated inconsistently and in a manner contrary to the solicitation's stated rating criteria. *Protest* at 16-18; *GT Comments* at 11-13.

As explained below, GT fails to demonstrate by the preponderance of the evidence that the FAA's evaluation of GT's and EY's price proposals lacked a rational basis or was otherwise arbitrary, capricious or an abuse of discretion. The record further shows that award of the contract was not made to the lowest priced "technically acceptable" proposal, and that even if GT were to succeed in its challenges against the technical evaluation of its own proposal and that of the awardee, it would not be in line for award since there exists another eligible offeror with a lower-priced proposal whose excellent rating GT did not challenge. The ODRA, therefore, recommends that the Protest be denied.

I. The Standard of Review

A protester, as the party seeking relief, bears the burden of proof and must demonstrate by the preponderance of the evidence that the challenged decision lacks a rational basis; is arbitrary, capricious, or an abuse of discretion; or is inconsistent with the AMS or the underlying solicitation. 14 C.F.R. § 17.21(m) (2019); see also 5 U.S.C. § 556(d), Protest of Alutiiq Pacific LLC, 12-ODRA-00627 (citing Protest of Adsystech, Inc., 09-ODRA-00508).

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II. Factual Background

The EFS contract at issue is part of the FAA's Federal Integrated Support ("FIS") program, which manages the FAA's financial operations. *AR* Tab 30 at ¶ 2. Generally, the purpose of the EFS contract is to "ensure that FAA and DOT [Department of Transportation] have access to the resources necessary to carry out financial and budget operations and ensure the efficacy of those operations." *AR* Tab 5, § C.1.2. Any office within the DOT may order work within the scope of this contract to support its own financial, budget, and management related activities. *AR* Tab 5, § C.1.4.

The acquisition was conducted on two tracks, i.e., a restricted competition among small businesses and an unrestricted competition. *AR* Tab 5, § L.6. This Protest concerns the award made under the unrestricted track.

The contract's scope involves eight work areas as follows:

- Work Area 1 Policies and Processes
- Work Area 2 Internal Controls
- Work Area 3 Program and Project Management
- Work Area 4 Day-To-Day Operations
- Work Area 5 Training
- Work Area 6 Strategic Planning, Investment Analysis and Program Evaluation
- Work Area 7 Risk Management
- Work Area 8 Other Financial, Budget, and Management Related Activities

AR Tab 5, § C.3.1-8.

This indefinite delivery/indefinite quantity contract uses task orders issued on a time-and-materials, labor-hour, firm-fixed price, or hybrid basis. *AR* Tab 5, §§ B.2 and B.2.1. The contract's period of performance is comprised of one base-period of three years from the date of award, and four, one-year option periods. *AR* Tab 5, § F.2.1-3.

The solicitation states that contractor personnel will be assigned according to labor category descriptions, qualifications, and a pricing schedule. AR Tab 5, §§

F.1.2 and H.4.2.¹ The labor pricing schedule contains fully burdened hourly rates that include wages, indirect costs, fringe benefits, overhead, general and administrative cost, and profit. *AR* Tab 5, § B.3.2.1.

The solicitation states that the award decision will be based on a best value/trade-off methodology that examines proposals in accordance with evaluation factors pertaining to "relevant experience, technical, cost, past performance and compliance." AR Tab 5, § M.3.1. According to the solicitation, "This approach does not require FAA to award to the Offeror submitting the highest rated technical proposal or to the Offeror submitting the lowest prices, although the ultimate award decision may be to either of these Offerors." AR Tab 5, § M.3.1.

As for the relative importance of the technical evaluation factors, solicitation § M.3.3 states that Factor 1 (Staffing, Management, and Quality Control) is more important than Factor 2 (Technical Approach). *AR* Tab 5, § M.3.3. The solicitation further states: "Combined, the weighted technical factors (Factor 1 and Factor 2) are significantly more important than Price." *Id.* The solicitation also provides that relevant experience will be rated on a "Possess/Does Not Possess" basis and past performance will be rated on a "High/Low Risk" basis. *Id.*

The evaluation of price proposals considered the total evaluated price ("TEP") as well as the component elements (hourly rates, escalation factors) of the TEP. AR Tab 5, § M.5.1. The solicitation stated: "The FAA anticipates that it will receive a sufficient number of responses to this solicitation to constitute adequate price competition. However, the FAA reserves the right to request additional information if necessary to make an adequate determination of reasonableness." AR Tab 5, § L.13.3.2.

¹ Generally, personnel assigned to perform task order work under the contract must meet or exceed the minimum qualification requirements for their labor category. *Id.* The labor categories include various levels of accountants, accounting technicians, administrative assistants, auditors, budget analysts, consultants, cost analysts, financial analysts, graphics/documentation specialists, human capital strategists, math/statisticians, policy analysts, program managers, project/task leaders, subject matter experts, systems auditors, technical editor/writers, and training developers. *AR* Tab 5, Attachment J001.

The FAA received proposals from five offerors for the unrestricted track competition. *AR* Tab 30 at ¶ 5. In accordance with the terms of the solicitation, the contracting officer conducted an initial compliance review. *Id.* at ¶ 6; *AR* Tab 5, §§ L.11 and M.2.2.1. Of the five offerors, he ultimately found four offerors to possess the required relevant experience performing similar contracts in terms of size, scope, complexity, and type, i.e., a minimum of three examples of relevant experience performing as a prime contractor of contract with a total value of \$20,500,000 or more; an indefinite delivery/indefinite quantity contract or blanket purchase agreement with 10 or more concurrent task orders; work requirements similar to the EFS Statement of Work; and performance ongoing or completed within the past three years.² *AR* Tab 5, Table § M.4.1.1.

At the conclusion of the technical and price evaluations, the Source Evaluation Board ("SEB") determined that GT was not one of the two highest rated technical proposals, and its price proposal was the highest priced proposal among the four eligible offerors. *AR* Tab 25, Table 7 at 28. Based on the evaluation record, the Source Selection Official ("SSO") agreed with the recommendation of the SEB and directed the contracting officer to award the unrestricted contract to EY, as its proposal received the highest possible ratings while offering the second lowest price. *AR* Tab 26 at 2; *AR* Tab 30 at ¶ 15.

III. Discussion

The gravamen of GT's protest is that flaws in the price evaluation rendered the FAA's best value analysis and award decision improper. Allegedly, these flaws resulted from the FAA's failure to conduct a required price realism analysis and its use of improper methods to evaluate the price proposals. This is a dispositive issue, which the ODRA considers before GT's other challenges.

 $^{^2}$ Pursuant to the compliance review, GT was notified of a determination of non-compliance due to the submission of an untimely past performance questionnaire. GT successfully protested that determination and its proposal submission subsequently was evaluated. *AR* at 2 (citing Tab 28, *Contracting Officer's Memorandum* at 3).

A. Express Solicitation Terms Did Not Mandate Price Realism Analysis

GT alleges that solicitation § M.2.1.2 required the FAA to conduct a price realism analysis in accordance with the AMS policy, AMS guidance, and Chief Financial Officer guidance. *GT Comments* at 2. GT relies on § M.2.1.2 and § M.5.3 to argue, as a matter of contract interpretation, the solicitation mandated that the FAA perform a price realism analysis. *GT Comments* at 5. GT's argument, however, is not supported by the law or the record.

The rules of contract interpretation apply to the interpretation of a solicitation, and of particular note, specific provisions will take precedence over more general provisions. *Protest of Northrop Grumman Systems Corporation* 06-ODRA-00384 (Decision on Motion for Partial Dismissal, September 22, 2006). Although § M.2.1.2 (upon which GT relies) describes unbalanced pricing and price realism, GT points to no provision mandating that the FAA conduct a realism analysis. To the contrary, the solicitation's specific terms explained that the evaluators would consider price reasonableness first, and "if" that raised questions, the FAA had "discretion" to seek more information needed for a price realism analysis. *AR* Tab 5, SIR § M.5.2. Section M.5.3 reiterated that the FAA could conduct a price realism analysis "at its discretion." *Id.* at § M.5.3. In fact, prior to the closing date for proposals, the FAA specifically rejected the suggestion from one potential offeror that price realism be mandatory.³ To do otherwise would be

 $^{^3}$ Prior to the deadline for submitting proposals, Amendment 1 provided potential offerors with all questions and answers generated from the solicitation. *AR* Tab 3A. One of the questions expressly recognized that the FAA had not committed to performing a price realism analysis. It asked:

The SIR reserves the right at its discretion to penalize unrealistic proposals (§ M.2.1.2 and § M.5.3), but does not commit to performance of a realism analysis. Without a price realism analysis, the source selection authority may be unaware of the potential performance risks caused by unrealistic prices To protect itself from such a performance risk, will the Agency commit to performing a realism analysis? Such a commitment also is consistent with the Agency's obligations in AMS 3.2.2.3.1.2.3, which requires each SIR to contain the specific evaluation criteria to be used to evaluate Offeror submittals. This will ensure all Offerors are competing against the same evaluation standards.

contrary to the AMS preference for analyzing price reasonableness based on adequate competition. AMS § 3.2.3.2. The ODRA, accordingly, finds no basis in AMS policy, the solicitation, or fact that supports GT's argument that cost realism was mandatory.

B. FAA's Approach To Analyzing the Price Proposals Had a Rational Basis

Having established that the contracting officer had discretion under the terms of the solicitation to perform a price realism analysis, the ODRA turns to GT's position that the contracting officer abused his discretion by not performing a price realism analysis. *GT Comments* at 7-9. In this regard, GT alleges that the FAA improperly failed "to analyze EY's price proposal for being materially and mathematically unbalanced." *Protest* at 2. GT alleges that, given the vast disparities in offerors' pricing, not all of them could be considered "reasonable and balanced." *Protest* at 13. GT further contends that the FAA's method of examining the disparities in pricing was deficient and meaningless. *GT Comments* at 3. GT argues that "[i]f a price realism analysis had occurred, a different best value determination would have resulted and Grant Thornton would have been awarded the Contract." *GT Comments* at 7.

1. Adequate Competition Rendered A Price Realism Analysis Unnecessary

The AMS favors "the review of price without evaluating separate cost elements and profit/fee" where there is adequate competition. AMS § 3.2.3.2; *Protest of Leader Communications, Inc., supra.* ⁴ Adequate price competition may

AR Tab 3A (emphasis added). In response, the FAA did *not* commit to doing a price realism analysis, but rather stated only that the "FAA will not change the requirements of the SIR, although Section M.2.1.2 has been updated for consistency." *AR* Tab 3A.

⁴ The FAA Procurement Pricing Handbook § 5.1, "Price Analysis Overview," also provides: "Price analysis is the process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit. Price analysis is the preferred method for evaluating competitive proposals [FAA AMS 3.2.3]."

exist when, for example, "two or more responsible offerors competing independently submit priced offers responsive to the FAA's requirements." *AMS Procurement Guidance* T3.2.3.A.3.a, Cost and Price Methodology (7/2019); *Protest of Bionetics Corporation*, 14-ODRA-00696 (two or more sources considered adequate competition).

Under the AMS, techniques used in performing a price reasonableness analysis include comparing proposed prices to each other (considering such factors as the range of prices and the performance experience of the offerors). *Procurement Pricing Handbook* at § 5.1. Where the record demonstrates that there is adequate price competition that allows for a determination of price reasonableness, unless the solicitation expressly promises otherwise, there is no obligation to examine further any specific elements of a proposed price. *Protest of Leader Communications, Inc.,* 14-ODRA-00705; *see also AR* Tab 5, § M.5.2.⁵

While the ODRA has fully reviewed and considered the statistical analysis that the Price Evaluation Team ("PET") used to compare the prices, a lengthy recitation is unnecessary for this Protest. The FAA received four proposals from highly experienced offerors. AR Tab 5, Table M.4.1.1; AR Tab 25, Table 7 at 28; AR Tab 30 at ¶ 5; see also supra p. 5. In accordance with the solicitation and the AMS, the PET made a determination of price reasonableness by comparing each offeror's proposed price (the TEP) to those proposed by other offerors and to the IGCE. AR Tab 19 at 15. The PET correctly found GT's proposal to be the highest priced proposals were clustered closer together. Id. at 16. In stark contrast, EY's proposal price was not an outlier, nor was it the lowest. Id. Instead, it fell squarely in the middle of the cluster of the three lowest prices. Id. Thus, while GT complains that the vast disparity in prices suggests that not all can be reasonable, it is clear that GT's proposal causes the perceived disparity, not the clustered proposals of the

⁵ The Procurement Pricing Handbook further states: "Once adequate price competition is determined to exist, price competition between proposals should be relatively elementary to compare." *Id.* at § 5.2.1.

three other offerors. In summary, the ODRA finds that the PET had a rational basis to conclude that adequate competition supported the finding that EY's proposed price was reasonable.

2. The Flawed IGCE Does Not Render the Price Evaluation Irrational

Acknowledging the significant disparities (ranging from 22.18% to 39.71%) between all of the price proposals and the IGCE, the PET Report noted that the IGCE can be used as a benchmark for reasonableness, but it is not the sole determinant of reasonableness in a competitive market. *Id.* at 16. Specifically, the IGCE can be used to establish price reasonableness, provided that it "is reliable and can be used as a standard for comparison." *Procurement Pricing Handbook* at § 5.2.5. As that quote makes clear, an IGCE is not a sacrosanct standard of measure if it is found unreliable.⁶ The PET viewed the relative proximity of eligible offerors' prices in this case to be "a better indication of competition in the market lowering the price" from the IGCE. *AR* Tab 19 at 16. This approach to finding price reasonableness is entirely consistent with AMS Procurement Guidance,⁷ and the ODRA finds that the PET's determination is supported by a rational basis in the record.

3. GT Fails to Show Unbalanced Pricing

⁷ Procurement Pricing Handbook § 5.2.1, Comparison of Competitive Bids, states:

⁶ See also Matter of Dewberry Crawford Group; Partner 4 Recovery, 2018 U.S. Comp. Gen. LEXIS 306; 2018 Comp. Gen. Proc. Dec. ¶297 (flawed IGCE did not preclude evaluators from using another price analysis technique to determine price reasonableness, where there was adequate price competition); *AMTIS-Advantage, LLC,* B-411623, B-411623.2, Sept. 16, 2015, 2015 Comp. Gen. Proc. Dec. ¶ 360 at 11 (flawed IGCE creates no competitive prejudice where agency also used other price analysis techniques to determine price reasonableness). Furthermore, the PET's comparison of GT's prices against the averages of GSA schedule contracts is consistent with techniques authorized by AMS Procurement Guidance. *Protest of Excelis, Inc.,* 15-ODRA-00727; *Procurement Pricing Handbook* § 5.2.2, "Published Price Comparison."

The analyst should compare the current price with prices of competing bids or offers for the procurement if adequate price competition exists. To determine whether adequate price competition exists, the analyst may examine proposed prices, the range of prices offered by competing companies, the production or performance experience of the offerors, and exceptions taken by any offeror to the specifications, delivery schedule, or other terms of the solicitation.

GT contends that the FAA never performed a statistically significant analysis for balanced pricing. *GT Comments* at 3, 10. GT further alleges that the minimal number of four data points rendered the PET's comparisons meaningless, and did not support a conclusion that no balance issues existed with regard to EY's price proposal. *Id.* GT, however, is the party with the burden of proof, and despite access to the materials available under the ODRA's protective order, has not supported its balance-argument by identifying any actual or even possible unbalanced pricing in EY's proposal. As such, the ODRA finds that GT's assertions in this regard amount to mere argument of counsel and are not evidence. *Protest of Leader Communications, Inc.*, 14-ODRA-00705 (citing *Protest of Systems Atlanta, Inc.*, 10-ODRA-00530). The ODRA accordingly finds no merit in GT's challenge against the FAA's evaluation of price reasonableness.

4. The Price Evaluation of the Restricted Track is not Germane

GT also complains that the price evaluation methods used for proposals submitted in the small business competition differed from those in the unrestricted competition. *GT Comments* at 8-9. GT argues that the fact that the PET did evaluate a small business proposal for price realism demonstrates irrational, inconsistent treatment. *Id*.

GT's arguments comparing the PET's methods of price evaluation in the unrestricted competition to those used in the small business competition are not persuasive. First, the PET evaluated the pricing of these groups separately because they were not competing against each other, and were subject to different evaluation criteria. *AR* Tab 19 at 3; *AR* Tab 30 at ¶ 9. Second, the PET decided to perform a price realism analysis of one of the small business price proposals, based on a recommendation of the SEB Chair due to questions of performance risk posed by financial solvency. That analysis had no effect on the price evaluation of the unrestricted offerors. *AR* Tab 30 at ¶ 12; *AR* Tab 25 at 61-62. Indeed, there is no

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indication of any evaluation concerns of performance risk relative to the unrestricted offerors.⁸

C. GT Was Not Injured by the FAA's Limited Corrective Action

GT asserts that prior to awarding the contract to EY, the contracting officer failed to seek the necessary approval from the FAA's Chief Financial Officer ("CFO") in accordance with AMS Procurement Guidance T3.2.3.A.2.g. *Protest* at 13. This guidance states that when the difference between the price offered and the IGCE is greater than 15%, the contracting officer should notify the program official.⁹ Although the PET was aware of this guidance, the contracting officer did not provide such notification. *AR* Tab 19 at 11.

The FAA took corrective action in this regard during the protest proceedings. *AR* at 3. The corrective action consisted of submitting to the Office of Financial Analysis a memorandum explaining and reconciling the difference between the EFS IGCE and EY's proposed price. *Product Team letter*, dated July 15, 2019, attachment 1. Subsequently, on July 19, 2019, the CFO issued a revised approval for the EFS program to solicit proposals based on that memorandum. *Product Team letter*, dated July 24, 2019 and attachment.

GT alleges that the corrective action of obtaining CFO approval, after the fact, does not ameliorate the illegal nature of the award, which was made *ultra vires*, in violation of FAA guidance and the AMS. *GT Comments* at 2, 6. For this reason alone, GT asserts that its Protest must be sustained. *Id*.

⁸ The SEB and SSO did not identify any performance risks relative to EY's proposal and even noted that EY's proposal received the highest technical rating based in part on several strengths for its staffing and retention approaches. AR Tab 25 at 8, 18-21, 29.

⁹ In pertinent part, the guidance states: "When there are differences greater than 15% between the price of the offer proposed for award and the IGCE, the CO should notify the program official for appropriate remedial actions." These "remedial actions" would relate to the applicability of the IGCE to the procurement, inasmuch as the program office is responsible for preparing an IGCE for procurement actions over \$150,000 and the IGCE accompanies the procurement request package that initiates the acquisition. *AMS Procurement Guidance* T.3.2.3.A.2. A procurement request package is used to define the requestor's requirements and it is used by the contracting officer to plan and implement the procurement process. *AMS Procurement Guidance* T.3.2.1.A.

The ODRA notes that the express language in AMS Procurement Guidance § T3.2.3.A.2.g does not make notification of the program official mandatory. The FAA Procurement Pricing Handbook similarly states: "When there are differences greater than 15% between the price of the offer proposed for award and the IGCE, the CO *should* notify the program official for appropriate remedial actions." *Procurement Pricing Handbook* § 5.2.5, "Comparisons to Independent Government Cost Estimate" (emphasis added).¹⁰

As explained by the FAA, the purpose of the guidance "is to provide the CFO with greater control and fiscal oversight, not to determine whether proposed prices are unreasonably low in a competitive procurement." *AR* at 7 (citing AMS Procurement Guidance T3.2.1.4.A.1.a). There is no evidence that the contracting officer's failure to notify the CFO prior to contract award resulted in any actual or potential injury to GT. "Protesters must demonstrate both that the agency action complained of lacked a rational basis and was otherwise deficient, **and** that the protester was prejudiced by that action." *Protest of Concur Technologies, Inc.*, 14-ODRA-00708 (Decision on Request for Reconsideration, dated October 21, 2014) (emphasis in original) (citing *Protest of Northrop Grumman Systems Corporation*, 06-ODRA-00384). The ODRA accordingly recommends that this aspect of the protest be denied.

D. GT's Technical Evaluation Challenges are Moot Since GT Does Not Have A Substantial Chance of Award

In order to prevail on its technical evaluation issues, GT must demonstrate on its remaining evaluation allegations that it was prejudiced by the challenged actions. In other words, GT must show that but for the challenged actions, GT would have had a substantial chance of receiving the award. *Protest of Emerging Eng'g Excellence Joint Venture*, 08-ODRA- 00467. Given that GT has failed to

¹⁰ While use of the word "should" allows for the exercise of discretion "to adopt different approaches consistent with applicable law and AMS policy," contracting personnel still are expected to make reasoned decisions and "document, to an appropriate extent, the rational basis for adopting a different approach." *Protest of Adsystech, Inc.*, 09-ODRA-00508.

demonstrate that the evaluation of the price proposals was flawed, and as shown below, its overall protest must fail because it cannot demonstrate prejudice, even if its technical evaluation challenges were successful.

Under the solicitation, the method of award was based on a determination of best value. AR Tab 5, § M.3.3. The selection of the awardee was made by considering which proposal represents the best value combination of price and non-price factors, with the non-price factor more important that the price factor. AR Tab 25 at 29-31; Table 7. The Source Selection Board's cost technical tradeoff analysis recommended EY as the best value based on the following evaluation results:

	Volume 2	Volume 3	Volume 4	Volume 5
	(Technical Capability)	(Price)	(Past	(Compliance)
			Performance)	
EY	Excellent	\$134,424,783	Low Risk	Fully
	• Factor 1 – Excellent			Compliant
	• Factor 2 – Excellent			
Offeror A	Excellent	\$150,903,832	Low Risk	Fully
	• Factor 1 – Excellent			Compliant
	• Factor 2 – Excellent			
Grant	Good	\$169,180,311	Low Risk	Only
Thornton	• Factor 1 – Good			Compliant
	• Factor 2 – Excellent	High Outlier		with Sub-
				Contracting
				Plan
				Requirement
Offeror B	Good	\$128,689,632	Low Risk	Fully
	• Factor 1 – Good			Compliant
	• Factor 2 – Good			

Id.

Even assuming arguendo that GT received a technical rating of Excellent, its price proposal still would be higher than EY's price proposal, and higher than that of another offeror whose excellent rating GT did not challenge. Therefore, GT cannot demonstrate a substantial chance of award, regardless of whether its nonprice protest grounds were meritorious. *Compare Protests of Leader Communications, Inc.* 17-ODRA-00804 (no substantial chance of award in a best value tradeoff procurement), *with Protest of Evolver* 09-ODRA-00495 (while protester was not the not the highest technically rated offeror, as the lowest priced offeror, it still could have been found to provide the "best value" to the government).

IV. Conclusion

For the reasons set forth above, the ODRA recommends that GT's protest be denied.

-S-Marie A Collins Dispute Resolution Officer and Administrative Judge FAA Office of Dispute Resolution for Acquisition