441 G St. N.W.
Washington, DC 20548

Comptroller General
of the United States

Decision

Matter of: Science Applications International Corporation

File: B-420005; B-420005.2; B-420005.3

Date: October 27, 2021

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Elan D. Taylor, Esq., and Linwood I. Rogers, Esq., Defense Logistics Agency, for the agency.
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DIGEST

1. Protest challenging adequacy of discussions is sustained where the record shows that agency found protester's prices unreasonably high but did not advise the protester of its findings during discussions.

2. Protest that agency misevaluated proposals is sustained where the record shows that agency solicited--and then largely ignored--information from the offerors that would have enabled the agency to meaningfully evaluate whether the proposed prices were fair and reasonable.

DECISION

Science Applications International Corporation (SAIC), of Fairfield, New Jersey, protests the award of a contract to Noble Sales Company d/b/a Noble Supply and Logistics, of Rockland, Massachusetts, under request for proposals (RFP) No. SPE4A5-20-R-0150, issued by the Defense Logistics Agency (DLA) for the acquisition of hardware and abrasives under federal stock group 53 (FSG 53). SAIC argues that the agency misevaluated proposals, failed to engage in meaningful discussions, and made an unreasonable source selection decision.

We sustain the protest.

BACKGROUND

The RFP contemplates the award, on a best-value tradeoff basis, of a fixed-price with economic price adjustment, indefinite-delivery, indefinite-quantity contract with a potential 10-year duration comprised of a 1-year transition period, a 3-year base period and two 3-year option periods. The successful contractor will be required to meet the agency's needs worldwide (including foreign military sales) for some 59,032 national stock number (NSN) items in the FSG 53 category of supplies which is comprised of items such as screws, nuts, bolts, washers and other fasteners and abrasives. These items are broadly divided between two categories, a "core" basket of 8,375 high demand or repeat demand items, and an "alternative" basket of 50,657 low demand or non-stocked items.

Firms were advised that proposals would be evaluated considering price and three non-price factors: cyber security, technical and past performance. Agency Report (AR), exh. 17, RFP Evaluation Factors, at 1. The cyber security factor was to be evaluated on a pass/fail basis and only those firms passing this evaluation would be eligible for consideration in the agency's cost/technical tradeoff decision. *Id.* The remaining two non-price factors (technical and past performance) were to be comparatively evaluated and were deemed equally weighted; collectively, these two factors were deemed equal in weight to price in the agency's tradeoff decision. *Id.* In addition, the technical factor included four equally weighted subfactors: program management, program execution, quality system, and small business commitment plan.[1] *Id.* Finally, the RFP provided that the agency would evaluate prices for reasonableness, balance and completeness. *Id.* at 7.

In response to the RFP, the agency received proposals from SAIC and Noble. The agency evaluated those proposals, engaged in two rounds of discussions with the offerors, and solicited, obtained and evaluated final proposal revisions. The agency arrived at the following final evaluation results:

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[1] Under the technical factor and subfactors, proposals were to be assigned adjectival/risk ratings of outstanding/low risk, good/low to moderate risk, acceptable/no worse than moderate risk, marginal/high risk, or unacceptable/unacceptable risk. AR, exh. 17, RFP Evaluation Factors, at 5. For the past performance factor, past performance examples would be assessed for relevancy and each offeror's past performance would be assigned an overall adjectival rating of substantial confidence, satisfactory confidence, neutral confidence, limited confidence or no confidence. *Id.* at 5-6.

	SAIC	Noble
Technical Overall	Good	Acceptable
Program Management	Good	Good
Program Execution	Outstanding	Acceptable
Quality System	Outstanding	Acceptable
Small Business Plan	Acceptable	Good
Past Performance	Substantial Confidence	Satisfactory Confidence
Price	$1,523,421,073	$1,036,173,501

AR, exh. 133, Source Selection Decision Document (SSDD), at 12. On the basis of these evaluation results, the agency made award to Noble, concluding that its proposal represented the best overall value to the government. *Id.* After being advised of the agency's source selection decision and requesting and receiving a debriefing, SAIC filed the instant protest.

DISCUSSION

SAIC raises a number of arguments, including that the agency failed to engage in adequate discussions, misevaluated proposals, and made an unreasonable source selection decision. We sustain SAIC's protest on the bases discussed below; we deny SAIC's remaining allegations. We offer some brief additional background about the agency's activities in connection with the acquisition before discussing the issues upon which we sustain SAIC's protest.

According to the agency, this acquisition represents the culmination of a reform initiative for FSG 53 in particular, which in turn is part of a larger Department of Defense effort to modernize its business operations, implement best practices, better align resources, and realize savings. Agency Report at 1. The agency's self-described objective is to leverage commercial supply chains and infrastructure, reduce administrative and material costs, and reduce and optimize physical inventory while maintaining or improving customer support. *Id.* In short, the agency is seeking to substitute its usual method of acquiring the solicited goods under separate contracts for a method that requires a single contractor to act as the agency's purchasing, warehousing, distributing, financing and billing agent; to, in effect, stand in the shoes of DLA for purposes of managing its requirements for FSG 53 items.

As part of its effort, the agency prepared what it refers to as its rough order of magnitude business case analysis (BCA). AR, exh. 3, BCA; exh. 46 Updated BCA. This BCA (along with the prices submitted) formed the agency's principal guidance in evaluating prices throughout the acquisition. In particular, and as is relevant to the protest issues, the record shows that the agency calculated a figure that was used throughout the acquisition as a yardstick for purposes of evaluating prices.

Specifically, the record shows that the agency's BCA concluded that the projected cost of continuing its acquisition of the core basket of FSG 53 items for the next ten years on a “business as usual” basis would be $813,305,944 for material costs. In contrast, the agency projected a cost of $722,537,703 for the same requirement if the agency were to enter into the contemplated contract (thereby providing the agency with a projected savings in material costs of approximately $90.7 million). AR, exh. 46, BCA at 3. This figure--$722,537,703--as well as the constituent unit prices comprising this total amount were used as the government estimate to evaluate prices.

Adequacy of Discussions

SAIC first argues that the agency failed to engage in adequate discussions. The record shows that throughout the acquisition, the agency found SAIC’s prices to be unreasonably high. AR, exh. 58, Initial Price Evaluation Team (PET) Report, at 8; exh. 82, Second PET Report, at 9; exh. 107, Third PET Report, at 10. Despite this repeated conclusion on the part of the agency, the record shows that the agency never advised SAIC during discussions that its prices were unreasonably high. SAIC therefore argues that discussions were inadequate and not meaningful.

The agency responds that it provided SAIC with adequate discussions, even though it did not expressly inform SAIC that its prices were determined to be unreasonably high. According to the agency, it met its obligation to engage in meaningful discussions with SAIC by informing it that certain of its prices were high, and it was not required to expressly advise SAIC that the agency viewed SAIC’s prices to be unreasonably high.

We sustain this aspect of SAIC’s protest. We have consistently stated that, where an agency determines that an offeror’s proposed prices are unreasonably high, the agency is required to advise the offeror of this finding during discussions. *Peridot Solutions, LLC*, B-408638, Nov. 6, 2013, 2013 CPD 260 at 4; *Creative Information Technology, Inc.*, B-293073.10, Mar. 16, 2005, 2005 CPD ¶ 110 at 6-7; *Price Waterhouse*, B-220049, Jan. 16, 1986, 86-1 CPD ¶ 54 at 4. The underlying policy for this requirement is that agencies are required to award contracts at fair and reasonable prices. *See* FAR 15.404-1, 15.405. Where an offeror’s price is determined to be unreasonable, this effectively renders its proposal unawardable. It follows that the offeror must be advised that its price has been found unreasonably high in order to afford it a reasonable chance to receive award.

Although the agency engaged in price discussions with SAIC, the record shows, and DLA does not dispute, that SAIC was never informed that its proposed prices--either individually or overall--were unreasonably high. The agency is correct that SAIC was advised that certain of its prices were high, but that is not the same as being advised that its prices were considered unreasonably high.

Had SAIC been advised that its prices were found to be unreasonably high, it either could have lowered its prices, or provided the agency with information to demonstrate why, in fact, its prices were not unreasonably high. Absent being told that its prices were found to be unreasonably high, SAIC effectively was eliminated from the competition, since the agency could not properly make award at what it determined to be an unreasonably high price. We therefore sustain this aspect of SAIC's protest.

Evaluation of Prices

SAIC next argues that the evaluation failed to consider the risk posed by the low prices offered by Noble. In this connection, SAIC argues that during the acquisition, DLA asked the offerors to substantiate their proposed pricing, but then essentially ignored Noble's failure to provide substantiating information in support of its proposed prices. SAIC argues that, in contrast, it provided a substantial amount of evidence in support of its higher proposed pricing. According to the protester, had the agency adequately scrutinized Noble's failure to provide the solicited information, it would have concluded that there is a substantial risk that Noble would be unable to perform at its offered prices.

In reviewing protests of an agency's evaluation and source selection decision, our Office will not reevaluate proposals or quotations; rather, we review the record to determine whether the evaluation and source selection decision are reasonable and consistent with the solicitation's evaluation criteria, and applicable procurement laws and regulations. *TekSynap Corporation*, B-419464, B-419464.2, Mar. 19, 2021, 2021 CPD ¶ 130 at 6. While we will not substitute our judgment for that of the agency, we will sustain a protest where the agency's conclusions are inconsistent with the solicitation criteria and applicable procurement statutes and regulations, or not reasonably based. *Id.*

As an initial matter, the agency argues that SAIC's allegation essentially amounts to a claim that proposed pricing had to be evaluated for realism, but that the RFP did not contemplate performing a realism evaluation. The agency points out that the RFP only contemplated an evaluation of prices for reasonableness, balance and completeness. DLA therefore argues that the RFP did not contemplate considering the risk associated with prices that were too low (realism) as opposed to prices that were too high (reasonableness).

We agree that the RFP did not contemplate an evaluation of prices for realism. However, in performing its evaluation of prices for reasonableness, the agency specifically sought out pricing data from the offerors to support their proposed prices. In this connection, the Federal Acquisition Regulation (FAR), section 15.404-1(b) provides as follows:

> Price analysis may include evaluating data other than certified cost or pricing data obtained from the offeror or contractor when there is no other means for determining a fair and reasonable price. Contracting officers shall obtain data other than certified cost or pricing data from the offeror or contractor for all acquisitions (including commercial item acquisitions), if that is the contracting officer's only means to determine the price to be fair and reasonable.

The underlying rationale for soliciting such information is also outlined in the FAR. It specifically provides that, in evaluating proposed prices for reasonableness, a comparison of the prices received to one another, or a comparison of the prices received to historical pricing information is the preferred method for evaluating prices. FAR section 15.404-1(b)(3). That same section also provides as follows:

> However, if the contracting officer determines that information on competitive proposed prices or previous contract prices is not available or is insufficient to determine that the price is fair and reasonable, the contracting officer may use any of the remaining techniques [such as soliciting and analyzing pricing data from the offerors] as appropriate to the circumstances applicable to the acquisition.

The FAR also cautions that the use of historical pricing information is conditioned on the prior pricing information providing a valid basis for comparison, and specifically cautions that, where there is a basis for concluding that the prior pricing information is uncertain, it may not provide a valid basis for comparison. FAR 15.404-1(b)(2)(ii)(A). Among other things, the FAR provides that any use of historical pricing information must account for changes in market and economic factors. FAR 15.404-1(b)(2)(ii)(B).

During discussions, DLA requested detailed information from the offerors to substantiate their proposed pricing. Specifically, both offerors were provided with identical discussion questions asking them to confirm how they developed confidence in their proposed unit prices and their ability to hold those proposed unit prices firm for the duration of the contract. In addition, both offerors were asked to provide the following information:

> Provide the following supporting documentation:
>
> a. A list of items for which you have obtained firm quotations along with an explanation as to when you will receive quotations for any items for which no quotation has been received and how you were able to generate the proposed pricing for these items.
>
> b. A sampling of quotations from sub-vendors.
>
> c. A list of approved sources being utilized along with a sampling of approved source quotations.

AR, exh. 84, Noble Discussions, Round 2, at 12; exh. 87, SAIC Discussions, Round 2, at 4.

The record shows that the agency initially used the first two preferred methods--comparison of the prices proposed to one another, and comparison of the prices proposed to historical prices paid (which the agency used to prepare its BCA)--to analyze the prices for reasonableness. AR, exh. 58, Initial PET Report; exh. 82, Second PET Report. Although the record does not include an express explanation for why the agency solicited pricing data from the offerors, a fair reading of the record leads us to conclude that the agency was concerned either about the validity of the prices submitted (given the fact that SAIC's prices were approximately 50 percent higher than Noble's prices), or about the validity of the BCA (government estimate).

Here, the agency's request for the offerors to confirm how they developed confidence in their proposed prices and their ability to hold prices for the duration of the contract, along with its request for the offerors to provide supporting documentation, amounted to a request for pricing data from the offerors. Such information would give the agency important insight into whether it could have confidence in the offered prices (along with whether the agency could have confidence in its BCA). In other words, having made the request, the agency could not simply ignore the information (or lack thereof) in determining whether it should have confidence that the offerors' proposed prices were fair and reasonable, as the FAR requires.

Against this backdrop, the record shows that during discussions, SAIC provided detailed, extensive information in support of its proposed unit prices, whereas Noble provided essentially no such information. Notwithstanding the stark differences between the offerors' submissions, the agency continued to find that SAIC's prices were unreasonably high, while at the same time finding that Noble's prices were fair and reasonable. This, despite Noble's failure to furnish any meaningful information that would have given the agency confidence that its prices reflected prevailing market conditions, and by extension, were reliable prices in which the agency could have confidence. We discuss our conclusion below.

By way of background, the offerors were provided with a total evaluated price (TEP) workbook. AR, exh. 18, TEP Workbook. As is relevant here, the TEP workbook listed the estimated quantities for each of the 8,375 core basket items by year, and offerors were required to input unit prices for each item for the first contract year, and also provide optional discounts by contract year, if offered. Firms also were required to propose an annual lump-sum price for their core basket management fee.[2] This pricing format allowed the agency to separate the material prices of the core basket items from the additional price associated with management of those items.

The record shows that the agency evaluated initial proposals and concluded that SAIC's prices for a majority of the core basket items (5,519 of the 8,375 core basket items) were unreasonably high. AR, exh. 58, Initial PET Report, at 8. This conclusion was based entirely on a comparison of SAIC's prices to Noble's prices. *Id.* The agency's price evaluators noted that SAIC's total core basket material price--$1,247,834,869--

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[2] The TEP workbook also included estimated quantities and unit prices for the 50,657 alternative basket items. In effect, the agency provided the offerors "plug prices" for these items, and the offerors were required to provide a throughput fee, as well as an annual management fee associated with handling the alternative basket items. The prices for the alternative basket items are not at issue in the protest.

was approximately 61 percent higher than Noble's total core basket material price, but made no further use of this overall observation to determine whether SAIC's prices were reasonable. *Id.* at 9.

In evaluating initial prices, the record shows that the agency concluded that a majority of Noble's unit prices--7,155 out of a total of 8,375--were reasonable, based entirely on a comparison of those prices to SAIC's initial proposed unit prices. The agency concluded that, since these unit prices were equal to or lower than SAIC's proposed unit prices, they necessarily were reasonable. AR, exh. 58, Initial PET Report, at 5. As to Noble's remaining 1,220 unit prices, the agency determined that 543 were within 25 percent of the prices offered by SAIC and also were therefore reasonable. *Id.* at 5-6. With respect to the remaining 677 unit prices, the agency made no determination as to the reasonableness of these unit prices, and instead confined its review to calculating the potential "cost impact" of these prices. *Id.* at 6-7. Based on these evaluation results, the agency opened discussions with the offerors.

As to Noble, the agency requested that it accept the agency's unit price objective for 298 items (the agency disclosed the unit prices--derived from the core basket price objective--for the 298 items). In addition, the agency advised that Noble's proposal included 1,153 "high" outliers, and 398 "low" outliers based on a comparison of Noble's unit prices to DLA's historical data (the unit prices used in the BCA). The agency did not disclose its unit price objectives for the "high" and "low" outliers that it identified. AR, exh. 60, Noble Discussion Questions, Round 1, at 40. The agency also asked Noble to meet the agency's overall core basket price objective of $722,537,703 (which is the amount calculated by the BCA, described earlier). *Id.*; AR, exh. 46, BCA, at 3.

As to SAIC, the agency also requested that it meet the government's price objective for the same 298 items (and disclosed the agency's unit price objectives). In addition, the agency advised that SAIC's proposal included 5,514 "high" price outliers and 459 "low" price outliers based on a comparison of SAIC's prices to DLA's historic unit prices. As with Noble, the agency did not disclose its unit price objectives for the "high" and "low" outliers identified by the agency. AR, exh. 62, SAIC Discussion Questions, Round 1, at 9. In addition, the agency also requested that SAIC meet the agency's overall core basket price objective of $722,537,703. *Id.*

At this point in the acquisition, *i.e.*, during discussions, the agency began to receive feedback suggesting that its pricing assumptions might be faulty. SAIC provided the agency with detailed information, advising that it could not meet the agency's price objective for the 298 specific unit prices identified by the agency. SAIC also advised that this conclusion was based on direct negotiations with its suppliers, all of whom, SAIC represented, stated that they were unable to meet the agency's unit price objectives for these items. AR, exh. 69, SAIC Discussions Responses, Round 1, at 18. SAIC also advised that it could not meet the agency's overall core basket price objective of $722,537,703 and explained that this conclusion was based upon receiving multiple competitive quotations for more than 70 percent of the 8,375 core basket items. *Id.* SAIC summarized its position by stating that its prices were based on prices currently offered by qualified suppliers. *Id.* Overall, SAIC lowered its total evaluated price by slightly more than $20 million, for a total evaluated price of $1,578,732,607. AR, exh. 70, SAIC TEP Workbook, Total Evaluated Price Worksheet.

In contrast, Noble did not provide any narrative response to the agency's discussion questions, and simply submitted a revised TEP workbook, lowering its total price to $1,050,090,125, and lowering its total overall core basket price to $711,875,242, which was below the government's overall core basket price objective. AR, exh. 68, Noble TEP Price Workbook, Revision 1, Total Evaluated Price worksheet.

It was at this point, that the agency sent both offerors the detailed discussion question quoted above, requesting that they provide the following information: (1) a list of items for which the offferor had obtained firm quotations; (2) an explanation as to when the offeror would receive quotations for any items for which no quotation had yet been received; (3) an explanation of how the offeror was able to generate the proposed pricing for those items for which no quotation had been received; (4) a sampling of quotations from sub-vendors; and (5) a list of approved sources being utilized, along with a sampling of approved source quotations.

SAIC provided additional detailed information to the agency about the basis for its quoted pricing. SAIC advised the agency that it had obtained firm price quotes for 95 percent of the core basket value, and that it had received firm quotes for 7,262 of the 8,375 the core basket items. AR, exh. 94, SAIC Discussion Responses, Round 2, at 7. SAIC further reminded the agency that it had negotiated a strategic subcontractor relationship with [deleted]. SAIC described [deleted] marketplace significance as follows:

> The SAIC-[deleted] team offers substantial value to this program as [deleted] is the only source of supply to commit to fixed, 10-year pricing with economic price adjustment, maintains a large scale commercial distribution facility that stocks a portion of the Core NIINs [national item identification numbers] in their warehouse today, and performs complete order fulfillment support including storage, packaging, and labeling. In addition, as the largest distributor of FSG53 products to the Federal government and commercial market, [deleted] is uniquely qualified to negotiate preferred pricing and expedited production with a robust supply chain that includes the three largest global manufacturers of FSG53 parts: [deleted].

Id. at 6.[3]

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[3] In further describing its approach to pricing, SAIC explained that it had received a number of quotes for core basket items that were valid for less than the full contract term. Many of the quotes were valid for periods ranging from one year to six years; SAIC explained that, for quotes valid for less than the full contract period of

Included in SAIC's response was a list of the 7,262 core basket items for which SAIC had obtained firm quotes; a large sampling of 2,783 quotations for core basket items for which SAIC had received more than one competitive quote (this list included the number of vendors submitting quotes, the price selected by SAIC and additional information relating to each core basket item); and a comprehensive list of suppliers with whom SAIC had negotiated the 2,783 sample quotes (this list included a total of 9,681 vendors; of that number, [deleted] is identified as having provided 1,094 firm, 10-year price quotes). AR, exh. 96, SAIC Discussions Responses, Round 2, Workbook. In a word, SAIC provided the agency with robust supporting information showing why it had a high degree of confidence in its proposed prices, and why the agency also should have a high degree of confidence in SAIC's proposed prices.

In contrast to SAIC's submission, the record shows that Noble provided essentially no evidence to support its quoted prices. Noble summarized its position as follows:

> Noble faced a challenge obtaining quotes from approved sources for this effort. During the months of proposal preparation, many approved sources repeatedly responded that they only quoted directly to DLA. The approved supply base is unaware that the anticipated contract represents a change in FSG53 acquisition strategy for DLA and consequently are sluggish cooperating until the new way forward is finalized. Hence, getting suppliers to respond to our requests for quotes was a significant challenge, but our team was successful in obtaining firm quotes from a number of key suppliers which were used in formulating our quoted proposal pricing. For the suppliers that would not provide a quote, we [deleted] to calculate responsible pricing.

AR, exh. 92, Noble Discussion Responses, Round 2, at 19.

As for supporting data, Noble provided the agency with a list of firm quotes for only 10 of the 8,375 core basket items (these 10 quotes were from four vendors). AR, exh. 92, Noble Discussion Responses, Round 2, at 103. Noble also provided a longer list of what it claimed were suppliers it used, but did not include any information about whether Noble had an actual business relationship with these vendors.

After reviewing the information presented, the evaluators characterized Noble's response as reasonable. As noted, other than the 10 firm quotes, Noble explained that, in effect, it would be using [deleted] for the remaining 8,365 core basket items. AR, exh. 92, Noble Discussion Responses, Round 2, at 19 ("For the suppliers that would not provide a quote, we [deleted] to calculate responsible pricing.") DLA's price evaluators

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performance it applied inversely-graduated adjustment factors to its proposed pricing, with quotes for just one year receiving the largest adjustment factor, and quotes valid for six years receiving the smallest adjustment factor. AR, exh. 94, SAIC Discussion Responses, Round 2, at 6.

explained that they found this approach provided adequate support for Noble's prices because it was similar to the approach DLA had used in the past to review prices for reasonableness. AR, exh. 107, Third PET Report, at 9 ("The PET finds that the approach described by Noble appears similar in nature to the approach used by DLA Cost and Price, when evaluating proposed prices received in response to RFPs to determine reasonableness."). The evaluators made no observations about the overwhelming lack of actual quotations submitted by Noble to support its pricing. *Id.*

In reviewing SAIC's response, the evaluators also did not make any observations relating to the quality or quantity of the data presented by SAIC, and instead focused on the fact that SAIC's proposed pricing included the adjustment factors discussed above that were keyed to the duration of the quotes received (as noted, SAIC applied inversely-graduated adjustment factors based on the duration of the firm prices offered by its vendors). AR, exh. 107, Third PET Report, at 12-13. The agency evaluators also focused on the fact that SAIC had suggested that the agency use DLA's standard unit prices (SUPs) as opposed to the government's unit price objectives as a benchmark for evaluating prices, and criticized this suggestion because, in DLA's view, the SUPs were not a valid indicator of the cost of materials in isolation (the evaluators stated that the SUP's included other costs that would not be considered the cost of materials). *Id.*

We make several observations. First, as detailed above, the record shows that SAIC provided DLA with abundant empirical pricing data showing that their prices were based on prevailing market conditions. The information presented showed not only that SAIC's pricing was evidence based, but also that vendors were reluctant to provide pricing for the later contract years in response to SAIC's requests for quotations because of apparent market volatility. Only [deleted]--SAIC's strategic subcontractor that also is identified by SAIC as a leading vendor of FSG 53 products to the government--would agree to provide firm quotations for the entire 10-year period of contract performance.

In contrast to SAIC, Noble essentially provided no empirical pricing data in support of its prices, explaining instead that it was fundamentally unable to obtain quotations from prospective vendors and that, accordingly, its pricing was based almost entirely on [deleted].

Second, the agency continued to find that the pricing submitted by SAIC was unreasonably high, while at the same time finding that the pricing submitted by Noble was reasonable. The agency's conclusion appears to have been based largely on the fact that Noble's pricing comported with the agency's expectations and past experience about the prices it would receive, whereas SAIC's pricing did not.

Third, the agency's expectations appear principally to have been driven by the BCA (government estimate) prepared and updated just after the submission of initial proposals, but that estimate failed in large measure to take into consideration dramatic shifts in market conditions and supply line disruptions occasioned by the pandemic. In this connection, the agency's BCA was originally prepared in August 2019, and updated with limited additional data in November 2020, 8 months after the pandemic began. AR, exh. 3, Original BCA; exh. 46, Updated BCA; exh. 149, Declaration of the Chief of DLA's Aviation Business Process Support Strategic Analytics Division. However, as also explained by the agency, the BCA was based on five years' worth of historical data. Agency Report at 31. Consequently, the agency's BCA was skewed by more than four years of pricing data that did not account for current market conditions or the volatility in global supply lines occasioned by the pandemic.

The record thus shows that the agency received widely divergent pricing from the offerors. In an apparent effort to evaluate whether the proposed pricing was fair and reasonable, the agency solicited pricing data from the offerors. One offeror--but not the other--provided the agency with the evidence solicited, but the record shows that the agency essentially made no use of the information presented. Instead, the agency continued to rely on its expectations about the pricing it anticipated receiving (as opposed to the pricing it actually received) to conclude that SAIC's prices were unreasonable.

While it is clear from the record that the agency found Noble's pricing reasonable based largely on the fact that its pricing—[deleted]--was based on [deleted] as opposed to actual, contemporaneous quotations, the record is devoid of any explanation for the agency's decision to discount or ignore the data presented by SAIC. Given that SAIC provided the agency with robust, empirical support for its quoted prices, the contemporaneous record should, at a minimum, have included an explanation for why the agency essentially ignored SAIC's pricing data. Such an explanation would provide a basis for our Office to evaluate the rationality of the agency's conclusion that SAIC's prices were unreasonably high. Without such a record, we have no basis to conclude that the agency acted rationally in evaluating these prices.

In the final analysis, the agency's evaluation of whether prices were fair and reasonable essentially ignored the realities of a dramatically different market--as illustrated by SAIC's empirical pricing data--and instead was based on outdated historical pricing data that bore little relation to current market conditions. Indeed, the agency itself stated as follows in response to the protest:

> At bottom, SAIC is very invested in the work it put in to obtain many quotes, has "confidence" in its prices despite the pricing being extremely high, and simply wishes that the Agency would have placed as much stock in those quotes as SAIC does. There is no obligation for DLA to do so, and DLA reasonably concluded that SAIC's prices based on those quotes--which are much higher than DLA has historically paid--are higher than should be expected, while Noble's pricing is more in-line with expectations.

Agency Supplemental Report at 2. While we agree that the agency was not necessarily obligated to accept SAIC's pricing data as dispositive, the record does not include an explanation of how DLA analyzed the very information it requested from the offerors during discussions, namely, objective information to support their pricing.

In light of the discussion above, we find the agency's conclusion that the prices submitted by SAIC were not fair and reasonable was irrational, and fundamentally failed to take into consideration market conditions not anticipated by the agency when it prepared its BCA.[4] The pricing data presented by SAIC showed that its prices appeared to be reasonable in light of prevailing market conditions, notwithstanding the agency's conclusion or expectation to the contrary. We therefore sustain this aspect of SAIC's protest.[5]

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[4] The record also shows that the agency's source selection authority (SSA) erroneously believed that SAIC used the agency's SUPs as the basis for developing its prices rather than the extensive, actual vendor quotations described above. The SSA stated as follows:

> SAIC stated in their proposal that it utilized the Government's Standard Unit Price (SUP), or selling price, as the basis for its unit price development and that it applied an adjustment factor applied to vendor quotes that were valid for less than the 10-year contract term. The use of SUP and the application of an additional adjustment factor to certain items is believed to be the reason that SAIC's TEP is so far above the Government BAU [business as usual] and IGE [independent government estimate].

AR, exh. 133, SSDD, at 11. The record therefore shows that the SSA based the award decision on a fundamentally incorrect belief about how SAIC had developed its prices, which leads us to conclude that the source selection decision itself was irrational as well.

[5] As a final matter, the agency suggests that, even if SAIC's prices take into consideration market conditions arising as a consequence of the pandemic, there is no reason to conclude that those market conditions would prevail for the entire 10-year period of contract performance and, hence, that SAIC's prices for the entire period of performance are reasonable. However, as noted, the RFP is for the award of a contract that includes an economic price adjustment clause which contemplates periodic adjustments to prices based on specified indices. AR, exh. 150, Special Contract Provisions, at 1-4. Prices may be adjusted either upward or downward pursuant to the clause, so any change to market conditions that is favorable to the agency presumably would be accounted for under that clause. *Id.*

RECOMMENDATION

We sustain SAIC's protest for the reasons discussed above. We recommend that the agency reopen the acquisition and engage in meaningful discussions with SAIC (and, as appropriate, Noble). At the conclusion of those discussions, we further recommend that the agency solicit, obtain and evaluate revised proposals and make a new source selection decision. Should the agency conclude that SAIC rather than Noble is in line for award, we further recommend that the agency terminate the contract awarded to Noble for the convenience of the government and make award to SAIC, if otherwise proper. Finally, we recommend that the agency pay SAIC the costs of filing and pursuing its protest, including reasonable attorneys' fees. SAIC's certified claim for costs, detailing the time expended and costs incurred, must be submitted to the agency within 60 days after this decision. 4 C.F.R. § 21.8(f)(1).

The protest is sustained.

Edda Emmanuelli Perez
General Counse