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## Decision

**Matter of:** Oasis Systems, LLC; Quantech Services, Inc.

**File:** B-408227.10; B-408227.11; B-408227.12

**Date:** April 28, 2016

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Maj. George M. Ebert, Department of the Air Force, for the agency.

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### DIGEST

Protests challenging the agency's cost realism evaluation and adjustments to the protesters' proposed direct and indirect labor costs are denied where the record shows that the agency performed a reasonable cost evaluation.

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### DECISION

Oasis Systems, LLC, and Quantech Services, Inc., both located in Lexington, Massachusetts, protest the Department of the Air Force's issuance of task order No. FA8721-13-D-0003-005 to BTAS, Inc., of Beavercreek, Ohio for advisory and assistance services. The protesters challenge the Air Force's cost realism evaluation.

We deny the protests.

### BACKGROUND

On September 24, 2015, the Air Force issued a request for task order proposals (RFTOP) under Federal Acquisition Regulation (FAR) section 16.505, to firms

holding PASS<sup>1</sup> II indefinite-delivery, indefinite-quantity (IDIQ) contracts. CO Statement at 2; see RFTOP at 1.<sup>2</sup> The solicitation provided for the issuance of a hybrid task order (for a 30 day phase-in period, a base year, and 2 option years) to the responsible offeror whose proposal was evaluated as technically acceptable with the lowest evaluated price.<sup>3</sup> RFTOP at 1-2, 83. The RFTOP solicited services to support the Command, Control, Communications, Intelligence and Networks Directorate (HN), and the C31 Infrastructure Division (HN1), under four functional areas: program management (PM), financial management (FM), “Non-Functionally Aligned” (NFA) support, and subject matter experts/expertise (SME). PWS at 6-29. The RFTOP specified a fixed level of effort--labor categories and hours--for each performance year and identified detailed qualifications, experience requirements, and performance locations for various labor “competencies” (essentially, categories).<sup>4</sup> Id., App. 2, at 51-57; RFTOP, attach. 7, Labor Matrix, at 104-12.

The solicitation instructed offerors to submit separate technical and cost proposals. RFTOP at 76. As relevant here, offerors’ cost proposals were to propose CPFF rates for advisory and assistance services for each performance year, using a cost workbook included with the RFTOP. Id. at 79-82; attach. 6, Cost Workbook, at 87-102. Offerors were to submit direct labor rates for each of the labor categories--as described in the RFTOP and appendix 2--and indirect costs such as fringe benefits, overhead, and general and administrative (G&A) expenses.<sup>5</sup> Id.

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<sup>1</sup> PASS (Professional Acquisition Support Services) II contractors provide various services to the Air Force Life Cycle Management Center at Hanscom Air Force Base (AFB) and its associated units and operating locations, including Gunter Annex-Maxwell AFB, Alabama. Contracting Officer (CO) Statement at 1; RFTOP amend. 1, attach. 1, Performance Work Statement (PWS), at 42.

<sup>2</sup> The RFTOP, which was amended once, was not assigned a solicitation number.

<sup>3</sup> The task order was predominately cost-plus-fixed-fee (CPFF), with some fixed-price requirements and reimbursable travel and other direct costs. RFTOP at 1. Although the solicitation uses the term “lowest evaluated price”, it contained both cost and price elements and required a cost realism analysis. Id. As discussed below, we use the term cost throughout our decision for ease of reference, except where the term price is applicable.

<sup>4</sup> For example, the contractor must provide 24,000 hours of services at the PM support level IV labor category for the cyberspace security and control system project at Hanscom AFB. PWS at 15-18; RFTOP, attach. 7, Labor Matrix, at 104.

<sup>5</sup> In addition to the CPFF rates, the workbook required offerors to propose: a firm fixed-price (FFP) for NFA support (i.e., administrative support, security, and data management); travel and other direct costs, which included a plug number for all offerors to use; and a FFP for the phase-in period. RFTOP at 81; Cost

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Cost proposals were to include a narrative basis of estimate describing the offeror's rationale, estimating methodology, and historical basis for their proposed labor estimates for each performance requirement, as well as explain the offeror's labor escalation rate (i.e., inflation rate), and any assumptions or exceptions to the solicitation's cost/pricing requirements. See RFTOP at 80. Offerors were also to submit a total compensation plan setting forth proposed salaries and fringe benefits for all employees who will work under the task order. Id. Offerors were to perform cost realism analyses of all proposed subcontract costs, explain any cost adjustments, and describe the offeror's rationale for finding those costs realistic and reasonable. Id. at 79.

The RFTOP provided for a four-step evaluation process. First, proposals would be screened for compliance with solicitation requirements and ranked according to their proposed cost. Id. at 83. Second, the agency would evaluate technical proposals, beginning with the proposal with the lowest proposed cost, until two proposals were found technically acceptable. Id. Third, the cost/price of the two technically acceptable proposals would be evaluated for reasonableness and realism, and their total evaluated cost (TEC) would be determined by the sum of all CLINs for all performance periods. Id. at 83, 86. The RFTOP stated that any cost element may be adjusted upwardly to realistic levels to determine an offeror's TEC, but that no downward adjustments would be made unless the agency sought clarifications or opened discussions with offerors.<sup>6</sup> Id. at 83-85. Fourth, the lowest TEC would be compared to the proposed costs of any proposals remaining under step one. Id. at 84. If the proposed costs of any remaining proposal was lower than the lowest TEC, then those remaining proposals would be evaluated for technical acceptability, and if found acceptable, then their cost proposals and TEC would be evaluated. Id. Finally, the task order would be issued to the offeror with the lowest TEC once no proposal remained with a proposed cost lower than that offeror. See id.

On October 16, the Air Force received proposals from eight of the ten PASS II contractors, including OASIS and Quantech. See CO Statement at 7. All eight

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Workbook at 103. Offerors were to propose fully burdened labor rates under the FFP contract line item numbers (CLINs). RFTOP at 81-82.

<sup>6</sup> Offerors were advised that a significant difference between their proposed costs and the government's estimate of most probable cost (GEMPC) may indicate that the offeror does not understand the requirement and may be grounds for eliminating a proposal due to performance risk. See RFTOP at 79, 85. The RFTOP also stated that a proposal requiring an upward adjustment greater than or equal to 15 percent of the cost proposed may indicate that the proposal is unrealistic. Id., § 4.3, Rejection of Unrealistic Offers, at 86.

proposals were found compliant with the RFTOP requirements. Id. Five proposals were found technically acceptable and their TEC's were evaluated as follows:

	Cost/Price	
	Proposed	Probable/TEC
<b>BTAS</b>	\$42,536,425	\$44,340,758
<b>Quantech</b>	\$41,593,616	\$44,684,393
<b>Offeror 3</b>	\$44,355,428	\$47,364,782
<b>Oasis</b>	\$40,305,198	\$48,909,925
<b>Offeror 5</b>	\$43,622,947	\$52,048,145

Agency Report (AR), Tab 7, Source Selection Decision (SSD), at 9.<sup>7</sup> Technical proposals were evaluated by a technical evaluation team (TET). Cost proposals were evaluated by a cost/price evaluation team (CPET), which evaluated the reasonableness of the offerors' prices and the realism of their proposed costs. See id. at 3-10.

With regard to Oasis, the CPET made upward cost adjustments to the offeror's proposed labor escalation rate, indirect labor rates, and subcontract costs, as well as to Oasis' proposed rate for the PM IV labor category. Id. at 15-23. The cost evaluators determined that the combined adjustments of approximately \$8.6 million or 27 percent--particularly the approximately \$[DELETED] increase to Oasis's subcontract costs (which accounted for over [DELETED] percent of Oasis's cost proposal)--indicated that Oasis did not have a clear understanding of the requirement. Id. at 7, 22. The CPET concluded that Oasis's cost proposal was unrealistic, and rejected it, because it required a total cost adjustment of over 15 percent. Id. at 7.

With regard to Quantech, the CPET made upward cost adjustments to the offeror's labor escalation and indirect labor rates. AR (B-408227.11), Tab 8, SSD, at 23-27.<sup>8</sup> The CPET determined that Quantech's proposed costs, as adjusted,

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<sup>7</sup> In accordance with the RFTOP's multi-step evaluation process described above, the Air Force did not evaluate the technical or cost proposals of the remaining three offerors, because their proposed costs were higher than the lowest TEC (Offeror 5) at that step in the evaluation. See AR, Tab 7, SSD, at 3-7, 9.

<sup>8</sup> The Air Force submitted an agency report and supplemental agency report in response to Oasis's protests (B-408227.10 and B-408227.12), and a separate agency report in response to Quantech's protest (B-408227.11). Except as indicated, our references are to the agency report, supplemental agency report, and contracting officer statement submitted in response to Oasis's protests.

were realistic and reflected what the agency would expect to pay under the task order. Id. at 7, 26.

With regard to BTAS, the CPET made upward cost adjustments to the offeror's proposed labor escalation and indirect labor rates. AR, Tab 7, SSD, at 8, 27-30. The CPET determined that BTAS's proposed costs, as adjusted, were realistic and reflected what the agency would expect to pay under the task order. Id. at 8, 29.

The contracting officer, who was the source selection authority for this procurement, reviewed the cost evaluations and determined that BTAS provided the technically acceptable, lowest evaluated cost proposal. Id. at 10; CO Statement at 9-10. The Air Force issued the task order to BTAS and these protests followed.<sup>9</sup>

## DISCUSSION

Oasis and Quantech challenge the Air Force's cost realism evaluation of their respective proposals, both arguing that their upward cost adjustments were unreasonable and that the agency treated them disparately in that regard compared to BTAS's adjustments. While we do not specifically discuss each of the parties' various arguments, we have considered all of the protesters' contentions and find none furnishes a basis to sustain their protests.

### Cost Realism

When an agency evaluates a proposal 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. FAR §§ 15.305(a)(1); 15.404-1(d); Quantech Servs., Inc., B-408227.8, B-408227.9, Dec. 2, 2015, 2015 CPD ¶ 380 at 6. Consequently, the agency must perform a cost realism analysis to determine whether the estimated proposed cost elements are realistic for the work to be performed, reflect a clear understanding of the requirements, and are consistent with the unique methods of performance and materials described in the offeror's proposal. FAR § 15.404-1(d)(1); Advanced Commc'n Sys., Inc., B-283650 et al., Dec. 16, 1999, 2000 CPD ¶ 3 at 5. An offeror's proposed costs should be adjusted, when appropriate, based on the results of the cost realism analysis. FAR § 15.404-1(d)(2)(ii). Our review of an agency's cost realism evaluation is limited

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<sup>9</sup> As reflected in the table above, the value of the task order at issue exceeds \$10 million. Accordingly, this procurement is within our jurisdiction to hear protests related to the issuance of task orders under multiple-award IDIQ contracts. 10 U.S.C. § 2304c(e)(1)(B).

to determining whether the cost analysis is reasonably based and not arbitrary. Jacobs COGEMA, LLC, B-290125.2, B-290125.3, Dec. 18, 2002, 2003 CPD ¶ 16 at 26.

### Indirect Rate Adjustments

Oasis and Quantech contend that the Air Force did not reasonably consider their bases of estimates when evaluating the protesters' proposed indirect labor rates. The protesters argue that the agency mechanically adjusted their indirect costs based on unreliable, outdated, or invalid comparisons, and without regard to the offerors' detailed justifications and explanations. Oasis and Quantech complain that the Air Force has accepted similarly low indirect rates that the protesters proposed in prior PASS II competitions. For example, according to Oasis, it has consistently projected reductions in its indirect costs and the agency has previously accepted those projections. Oasis and Quantech also claim that the agency ignored their ongoing corporate efforts to lower their indirect rates, as described in their proposals. Quantech, for example, maintains that the Air Force did not consider the firm's recent, and projected, operational efficiencies, cost-cutting programs, and projected business growth. Both protesters allege that the Air Force evaluated their proposed indirect rates disparately as compared to BTAS.

Based on our review of the record, we find reasonable the Air Force's evaluation and cost adjustments to Oasis's and Quantech's indirect rates. The CPET evaluated Oasis's, Quantech's, and BTAS's proposed indirect rates by first reviewing their technical approaches, bases of estimates, and cost workbooks. See AR, Tab 7, SSD, at 19-21, 28-29; Tab 8 (B-408227.11), SSD, at 19-21. The cost evaluators then compared the offerors' proposed indirect rates to their respective 2015 provisional billing rates (PBR) established by the Defense Contract Audit Agency. Id. Finally, the evaluators compared the offerors' proposed indirect rates to sole-source modifications of current PASS II task orders that the agency negotiated with each offeror in September 2015.<sup>10</sup> Id. The CPET determined that the offerors' PBRs and recent task order modifications provided the most current cost data available to the evaluators. Id.

Following this process, the CPET found, with respect to Oasis, that it had not provided a detailed justification to permit the cost evaluators to verify Oasis's significantly reduced indirect rates. AR, Tab 7, SSD, at 21. For example, the evaluators found that Oasis proposed a "dramatic" reduction to its overhead rate (approximately [DELETED] percent lower than Oasis's 2015 PBR rate) based on anticipated business growth. Id. at 20. However, the CPET found that Oasis did not quantify or provide actual data on how the anticipated growth would affect

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<sup>10</sup> Proposals for the instant task order competition were due on October 16. RFTOP at 2.

Oasis's indirect rates, thus the evaluators considered the possibility that Oasis may not realize such growth. Id. Similarly, the evaluators found that Oasis had not provided data to verify its proposed fringe benefit rate, nor explain how the offeror calculated that rate. Id. The CPET also found that Oasis had not explained how it would achieve its proposed [DELETED] percent material handling rate. Id. The evaluators questioned Oasis's proposed [DELETED] percent G&A rate, since Oasis's 2015 G&A PBR was nearly [DELETED] percent and Oasis was awarded a PASS II task order in July 2015 with a G&A rate of [DELETED] percent (which it then modified in September to [DELETED] percent). Id. at 20-21. The CPET determined that, since Oasis proposed its 2015 indirect PBR on its recent task order modification, the agency would expect to pay Oasis those established rates, and the CPET increased Oasis's proposed overhead (including fringe), material handling, and G&A rates to its PBR rates. See id. at 21.

With respect to Quantech, the CPET found that it sought to justify its proposed indirect rate reduction by selectively citing the lowest indirect rates that the Air Force had found realistic in three earlier PASS II task orders issued to Quantech. AR (B-408227.11), Tab 8, SSD, at 15. The cost evaluators, however, questioned why Quantech had not cited its three most recent task orders, or the September task order modification, all of which proposed indirect rates at Quantech's 2015 PBR rates, which the agency found realistic. See id. The evaluators determined that Quantech's proposed fringe benefit, overhead, and G&A rates did not reflect Quantech's 2015 actual or projected rates, contrary to Quantech's explanation in its cost proposal. See id. The CPET found that while Quantech projected a downward trend in those costs throughout the entire performance, its recent task order modification, which included most of the same performance period (the base year, 2016, and the first option year, 2017), reflected no such trend. See id. The evaluators determined that since Quantech proposed its 2015 PBR on its recent task order modification, the agency would expect to pay those established rates, and the CPET increased Quantech's proposed fringe, overhead, G&A, and procurement overhead rates to Quantech's PBR rates. See id. at 21.

Finally, with respect to BTAS, the CPET found that while the offeror proposed a lower overhead rate (including fringe), similar to the rate that it had proposed on its most recent task order, BTAS, like Oasis, had subsequently negotiated a higher overhead rate (up to BTAS's 2015 overhead PBR rate) when the agency modified that task order in September. See AR, Tab 7, SSD, at 29. The CPET determined that since BTAS proposed its 2015 overhead PBR for that task order modification, the agency would expect to pay that established rate, and the CPET, as it did with Oasis and Quantech, increased BTAS's proposed overhead rate to BTAS's PBR rate. Id. The CPET made no adjustments to BTAS's proposed G&A rate, because that rate matched its PBR and recent task order modification rates. Id. at 28.

Although Oasis and Quantech object to the CPET's evaluation process and conclusions as described above, the protesters have not shown that the Air Force

acted unreasonably. An agency is not required to conduct an in-depth cost analysis, see FAR § 15.404-1(c), or to verify each and every item in assessing cost realism; rather, the evaluation requires the exercise of informed judgment by the contracting agency. Cascade Gen., Inc., B-283872, Jan. 18, 2000, 2000 CPD ¶ 14 at 8. The methodology employed must be reasonably adequate and provide some measure of confidence that the rates proposed are reasonable and realistic in view of other cost information reasonably available to the agency as of the time of its evaluation. SGT, Inc., B-294722.4, July 28, 2005, 2005 CPD ¶ 151 at 7.

Contrary to the protesters' contention, the record shows that the CPET did in fact consider the offerors' bases of estimates when evaluating their proposed indirect rates. The evaluation documentation includes relevant excerpts from the offerors' bases of estimates and cost workbooks, followed by the evaluators' analysis of those provisions. The record also supports the Air Force's contentions (AR 30-33; AR (B-408277.11) at 17-18) that the protesters' cost proposals provided insufficient justification for their proposed indirect rate reductions. The entirety of Oasis's justification for proposing [DELETED] material handling charge, for example, is that "[DELETED]." AR, Tab 5, Oasis Cost Proposal, at 67. As the cost evaluators reasonably concluded, and the agency persuasively argues, such broad statements, without substantiation, calculations, or projections, are the reason the government must be able to adjust proposed costs when awarding cost reimbursement contracts. AR at 16.

Thus, while the protesters complain that the Air Force mechanically adjusted their proposed rates to PBR levels, our Office has held that an agency may reasonably adjust offerors' proposed labor rates where the offerors--as here--fail to provide adequate detail to support their rates, and where the agency relies on reasonable sources of data to support its adjustments. See Science Applications Int'l Corp., Inc., B-408270, B-408270.2, Aug. 5, 2013, 2013 CPD ¶ 189 at 6-7.

In this respect, we also find reasonable the evaluators' reliance on cost data from the offerors' largely contemporaneous task order modifications to perform similar PASS II work, as well as their reliance on the protesters' current PBRs. The cost evaluators in this case relied--in addition to the information provided by the offerors' in their cost volumes--on the same, recent sources of information for all three offerors: their 2015 PBRs, their most recent task order (modification) proposal, and, as discussed below, the applicable Department of Defense inflation rate (2.3 percent) used in the President's Budget Proposal to Congress. Finally, as also discussed below, nothing in the evaluation record supports the protesters' contention that the Air Force evaluated their indirect labor rates unequally.

Agencies are given broad discretion in conducting cost realism evaluations, and Oasis and Quantech have given us no basis to question the Air Force's conclusions regarding the realism of their proposed indirect rates. See Burns & Roe Indus. Servs. Co., B-233561, Mar. 7, 1989, 89-1 CPD ¶ 250 at 2.

## Labor Escalation Rate Adjustments

Oasis and Quantech also contend that the Air Force did not evaluate their proposed labor rates for the option years, but instead mechanically applied the agency's higher annual escalation rate without conducting any independent analysis or considering the protesters' detailed cost justifications. Both protesters complain that the agency accepted their lower proposed escalation rates in recent PASS II task order competitions.<sup>11</sup>

As described above, the RFTOP required cost proposals to include a narrative basis of estimate describing the offeror's rationale, estimating methodology, and historical basis for their proposed labor estimates, as well as explain the offeror's escalation rate and any assumptions. RFTOP at 80. The solicitation instructed offerors to provide sufficient detail and clarity to enable the Air Force to perform a cost realism assessment of an offeror's proposed costs. *Id.* Offerors were explicitly warned that the burden of proof for the credibility of proposed costs rested with the offeror in its basis of estimate. *Id.* at 79, 86.

Notwithstanding the RFTOP's admonitions, Oasis's cost narrative stated that it proposed [DELETED] labor escalation rate for the option years, while Oasis's cost workbook proposed [DELETED] percent escalation rate for the second option year. *See* AR, Tab 7, SSD, at 18. Moreover, Oasis identified employee attrition to justify [DELETED] labor escalation in the option years, but as the agency points out, Oasis did not quantify the effect of attrition, for example, by providing projections of retiring employees.

It is an offeror's responsibility to submit a well-written proposal, with adequately detailed information that clearly demonstrates compliance with the solicitation and allows a meaningful review by the procuring agency. *Excellus Solutions, Inc.*, B-410959.3, July 24, 2015, 2015 CPD ¶ 241 at 4-5. As stated above, an agency may reasonably adjust an offeror's proposed labor rates where the offeror fails to provide adequate detail to support its rates, and where the agency relies on reasonable sources of data to support its adjustments.

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<sup>11</sup> For example, Quantech points out that the Air Force awarded two task orders to Quantech between July and October 2015 that included [DELETED] percent escalation rates that the agency found realistic, for essentially the same work, in the same location, and under the same PASS II IDIQ contract. However, as the Air Force argues, each procurement stands on its own, and an evaluation of an offeror's proposal under another procurement is irrelevant to determining the reasonableness of the evaluation of the current task order. AR at 14, *citing* *SDS Int'l*, B-285822, B-285822.2, Sept. 29, 2000, 2000 CPD ¶ 167 at 7 n.2; *Renic Corp., Gov't Sys. Div.*, B-248100, July 29, 1992, 92-2 CPD ¶ 60 at 5.

After reviewing Oasis's limited justification (and inconsistent rates), the CPET determined that either [DELETED], or [DELETED] percent, labor escalation was unrealistically low.<sup>12</sup> AR, Tab 7, SSD, at 18. The CPET thus upwardly adjusted Oasis's direct labor rates by a 2.3 percent escalation factor for each option year which was the last employment cost index inflation rate proposed by the Deputy Comptroller for the Secretary of Defense in the President's Budget Proposal for fiscal year 2016. Id. at 12, 18.

The CPET also adjusted Quantech's (as well as BTAS's) labor escalation rate upwards to 2.3 percent. Quantech objects, arguing, among other things, that its proposed [DELETED] percent escalation rate was based, as stated in its proposal, on [DELETED]. In this respect, Quantech asserts that the Air Force relied on [DELETED] in its evaluation of direct labor rates for this task order, and that the PWS [DELETED]. Contrary to Quantech's suggestion however, the Air Force's estimated labor escalation rate did not solely rely on a [DELETED]. Rather, the record reflects that [DELETED] was made in addition to the 2.3 percent escalation factor. AR (B-408227.11), Tab 6, Independent Government Cost Estimate (IGCE), at 1.

While the Air Force may not have evaluated Oasis's and Quantech's labor escalation rates in the manner that the protesters would have preferred, the protesters have not shown that the agency's evaluation and upward rate adjustments were unreasonable. An agency's cost realism analysis need not achieve scientific certainty; rather, there is no requirement that an agency follow any particular cost realism evaluation method, or evaluate offerors' proposed costs using every possible method of analysis. See Cascade Gen., Inc., supra.

#### Oasis's Direct Labor Rate Adjustments

Oasis contends that the Air Force mechanically adjusted Oasis's proposed direct labor rate for the PM IV labor category, and ignored Oasis's incumbent experience, unique business model, and justifications for its rate. Oasis asserts that although its cost proposal identified ten data sources to substantiate its proposed labor rates, the agency unreasonably concluded that Oasis had relied only on data from the Department of Labor's (DOL) Bureau of Labor Statistics (BLS). Oasis claims that the Air Force failed to cite any "legitimate, market-based justification" for rejecting Oasis's proposed PM IV rate. Oasis Comments at 17. In this respect, Oasis argues that the agency unreasonably focused on salary range differentials and BLS data for occupations that were not comparable to the RFTOP's labor requirements.

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<sup>12</sup> The CPET considered both of Oasis's conflicting escalation rates.

The record supports the reasonableness of the agency's evaluation of Oasis's PM VI labor rate. The cost evaluators noted, as the protester points out, that Oasis's basis of estimate stated that it relied on "multiple creditable sources" to establish the realism of its proposed labor rates, including [DELETED], among others. See AR, Tab 7, SSD, at 16-17, citing Tab, 5, Oasis Cost Proposal, at 59-61. However, the CPET found (and we agree) that despite citing these various sources in its cost narrative, Oasis used BLS data points to calculate its proposed labor rates (including for the PM IV position), but failed to explain how it selected its specified BLS occupation codes, why it "recommended" the BLS rate, and how it arrived at the proposed salary percentage for each position.<sup>13</sup> AR, Tab 7, SSD, at 16, citing Tab 5, Oasis Cost Proposal, at 62-65. The CPET noted that BLS does not provide exact labor competency equivalents for the RFTOP labor categories, and that three other BLS occupation codes, for example, could meet the experience requirements for the PM IV position. AR, Tab 7, SSD, at 17. The CPET found that at the [DELETED] percentile (see supra n.13), each of those occupation codes provided for a higher salary than the occupation code selected by Oasis. Id.

The CPET also determined that, based on data provided in Oasis's cost proposal, its proposed PM IV labor rate was unrealistically low in comparison to how Oasis developed its other labor rates, and that Oasis failed to explain the variance. See id. at 16-17. For example, the cost evaluators found that the increment between Oasis's proposed PM III rate and the PM IV rate was only [DELETED] percent, whereas the increment between the level III and level IV positions for all of Oasis's other labor categories was [DELETED] percent. Id. The CPET also found that Oasis's proposed rates for the PM III, FM III, and FM IV labor categories for 2016 were [DELETED] to [DELETED] percent higher than the PASS II IDIQ 2012 IGCE rates (which Oasis used as its base line), whereas the PM IV rate was only [DELETED] percent higher--without, again, explanation for the variance. Id. After considering these factors, the cost evaluators concluded that Oasis's proposed PM IV rate was significantly lower than the agency's 2016 IGCE and too low to provide adequate compensation at the skill level required by the PWS, and the CPET upwardly adjusted that labor rate to the 2016 IGCE level. Id. at 16-18.

Absent any meaningful support in Oasis's proposal for the PM IV labor rates it proposed, we find that the agency reasonably relied on its own estimate for that labor category. See Sci. Applications Int'l Corp. Inc., supra at 6-7 (finding agency's

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<sup>13</sup> For example, Oasis selected the [DELETED] percentile (that is, [DELETED] for the salary range) for the PM IV position, but selected the [DELETED] percentile for the PM III position, the [DELETED] percentile for the FM III position, and the [DELETED] percentile for the FM IV position. AR, Tab 5, Oasis Cost Proposal, at 61-65. However, other than asserting that it proposed labor rates based on 10 data sources, Oasis does not meaningfully explain (either in its protest or its proposal) why or how it selected the specified salary percentiles.

cost adjustments reasonable where protester failed to identify “where in its proposal it provided any documentation to support its proposed labor rates”); CSI, Inc.; Visual Awareness Techs. & Consulting, Inc., B-407332.5 et al., Jan. 12, 2015, 2015 CPD ¶ 35 at 9-10 (agency reasonably concluded that the protester’s “generic, nonspecific citation to market research” did not provide an adequate explanation for the protester’s proposed labor rates). As the Air Force argues, Oasis inadequately justified its proposed PM IV labor rate, and it was incumbent upon Oasis to submit a proposal that adequately supported its direct labor rates.

#### Oasis’s Subcontract Cost Adjustments

Finally, Oasis disputes the Air Force’s adjustments to Oasis’s proposed subcontract costs, arguing, among other things, that the agency failed to consider the subcontractors’ respective cost structures and indirect rates, as well as the type of contracts that Oasis proposed with its subcontractors.

While the Air Force defends its adjustments to Oasis’s subcontract costs as reasonable, the agency argues that this protest ground should be dismissed because, even if all of those adjustments were made in error, Oasis cannot show that it was prejudiced since Oasis would not be next in line for award.<sup>14</sup>

We agree. As discussed above, the Air Force’s cost realism evaluation and cost adjustments to Oasis’s proposed indirect labor, labor escalation, and PM IV rates, were reasonable. Thus, even were we to find that the upward cost adjustments to Oasis’s proposed subcontract costs were unreasonable, Oasis has not established that it would have had a substantial chance of receiving the award even without those adjustments, since, as the agency points out, Oasis would not be next in line for award.<sup>15</sup> See, e.g., DynCorp Int’l LLC, B-411465, B-411465.2, Aug. 4, 2015, 2015 CPD ¶ 228 at 12-15 (protest that agency’s cost realism analysis should have resulted in upward adjustment to the awardee’s proposed labor hours is denied where the protester fails to demonstrate competitive prejudice because it does not demonstrate that, but for the alleged errors, it would have had a substantial possibility of receiving the award). In any event, we find, based on our review of the record, that the Air Force reasonably evaluated Oasis’s proposed subcontract costs and reasonably adjusted them to realistic levels.

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<sup>14</sup> As stated above, the RFTOP provided for award to the offeror whose proposal was evaluated as technically acceptable with the lowest evaluated price.

<sup>15</sup> The agency points out that the CPET upwardly adjusted Oasis’s subcontract costs by \$[DELETED]. Without those adjustments, Oasis new TEC of \$[DELETED] would still be higher than BTAS’s TEC (\$44,340,758). See AR, Tab 7, SSD, at 12; Table, supra, at 4.

## Unequal Treatment

Finally, both protesters allege that the Air Force's cost realism rate adjustments were unequal compared to BTAS. For example, Oasis maintains that it was evaluated unequally because the agency did not adjust any of BTAS's proposed direct labor rates, even though each of BTAS's proposed rates fell below the IGCE and, according to Oasis, BTAS provided little to no justification for its proposed rates. According to Oasis, the Air Force's upward cost adjustments to Oasis's proposed PM IV rate--above a corresponding BTAS rate that the agency's determined to be realistic--was thus unreasonable. Similarly, Quantech argues that the Air Force unreasonably adjusted BTAS's labor escalation and indirect rates, even though BTAS, according to Quantech, provided less justification for those proposed rates than Quantech provided.

The protesters have made no showing of disparate treatment in the evaluation. The record, in our view, supports the Air Force arguments that it evaluated BTAS's cost proposal in the same manner as each of the other proposals and that the mere fact that BTAS's cost adjustments were less than the protesters' cost adjustments does not evidence disparate treatment.<sup>16</sup> See, e.g., Trailblazer Health Enters., LLC, B-406175, B-406175.2, Mar. 1, 2012, 2012 CPD ¶ 78 at 9 (protest of agency's cost realism analysis is denied where the difference in the cost realism adjustments to the protester's and awardee's proposals was not the result of unequal treatment by the agency, but resulted from the agency's recognition of differences with respect to the offerors' substantiation for their proposed approaches); Brican Inc., B-402602, June 17, 2010, 2010 CPD ¶ 141 at 4.

In sum, Oasis's and Quantech's protests of the Air Force's cost realism analysis reflect nothing more than the protester's disagreement with the agency's evaluation judgments, which provides no basis to sustain their protests. See Ben-Mar Enters.,

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<sup>16</sup> Because there are two technically acceptable, lower evaluated cost proposals, besides the awardee's, that are eligible for award (see Table, supra, at 4), Oasis is not an interested party to challenge the task order award to BTAS on the basis that the awardee has a potential organizational conflict of interest (OCI) that should have disqualified it from the competition, and we dismiss that protest allegation accordingly. See Marine Pollution Control Corp., B-270172, Feb. 13, 1996, 96-1 CPD ¶ 73 at 3-4. Under our Bid Protest Regulations, only an interested party may protest a federal procurement. That is, a protester must be an actual or prospective supplier whose direct economic interest would be affected by the award of a contract or the failure to award a contract. 4 C.F.R. § 21.0(a). A protester is not an interested party where it would not be in line for award were its protest to be sustained. Four Winds Servs., Inc., B-280714, Aug. 28, 1998, 98-2 CPD ¶ 57. For the record, Quantech did not raise any OCI allegations.

Inc., B-295781, Apr. 7, 2005, 2005 CPD ¶ 68 at 7 (an offeror's disagreement with the agency's evaluation is not sufficient to render the evaluation unreasonable).

The protests are denied.

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