



**Comptroller General
of the United States**

Washington, D.C. 20548

Decision

REDACTED VERSION*

Matter of: Scheduled Airlines Traffic Offices, Inc.

File: B-257292.9

Date: May 16, 1995

Kenneth S. Kramer, P.C., and James S. Kennell, Esq., Fried, Frank, Harris, Shriver & Jacobson, for the protester.

Lars E. Anderson, Esq., J. Scott Hommer III, Esq., and Wm. Craig Dubishar, Esq., for Carlson Travel Network, an interested party.

Elizabeth DiVecchio Berrigan, Esq., and Ramon Morales, Esq., Department of the Army, for the agency.

Andrew T. Pogany, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. In reviewing protests concerning the evaluation of proposals, the General Accounting Office will examine the agency's evaluation to ensure that it had a reasonable basis. The fact that a protester does not agree with the agency's evaluation does not render the evaluation unreasonable.
2. Offerors are required to provide adequate explanations of significant changes in their final offers and an offeror assumes the risk that changes in its final offer might raise questions about the adequacy of its offer in meeting requirements of the solicitation and, thus, result in rejection or downgrading of its proposal.
3. Source selection officials in negotiated procurements have broad discretion in determining the manner and extent to which they will make use of the technical and cost evaluation results. In exercising that discretion, they are subject only to the tests of rationality and consistency with the established evaluation factors.

*The decision issued on May 16, 1995, contained proprietary information and was subject to a General Accounting Office protective order. This version of the decision has been redacted. Deletions are indicated by "[deleted]."

064419/155030

DECISION

Scheduled Airlines Traffic Offices, Inc. (Sato) protests the award of a contract to Carlson Travel Network under request for proposals (RFP) No. DAHC22-94-R-0002, issued by the Department of the Army, Military Traffic Management Command, for commercial travel management services for Defense Travel Region Four (DTR-4).¹ Sato principally argues that the agency misevaluated the proposals of Sato and Carlson.

We deny the protest.

THE RFP

The RFP was issued on November 24, 1993, soliciting proposals for a fixed-priced, no-cost contract to provide travel management services for both official and leisure ("unofficial") travel by Army personnel and other eligible patrons.² The RFP required the successful offeror to provide all personnel, equipment, tools, materials, supervision, and other items or services necessary to perform the management and operation of a Commercial Travel Office (CTO) at numerous locations. The RFP contained, at "Attachment 7B," historical workload data for each location to be serviced; the data was generally presented in terms of historical transactional data or historical dollar volume of sales.³ The RFP contemplated a 2-year base period with three 1-year option periods.

The successful contractor generally bears the entire cost of furnishing its services to the agency and is compensated by means of the commissions it receives for booking government travellers with airlines, hotels, and other providers of

¹The RFP also sought proposals for DTR-1 and DTR-2. Sato's protests against awards to Carlson for these regions were previously denied by our Office. Scheduled Airlines Traffic Offices, Inc., B-257292.7, Dec. 20, 1994, 95-1 CPD ¶ __. DTR-4, at issue in this protest, is comprised of Connecticut, Delaware, Kentucky, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia.

²"Official" travel is paid for with appropriated government funds; "leisure" or "unofficial" travel is personal travel by government personnel and their families and is paid for by private funds.

³The cover sheet to Attachment 7B stated that "proposed staffing levels shall be based upon workload data." The protester argues that it was not required by the RFP to rely exclusively on the RFP workload data but, in fact, did comply with this alleged requirement. We discuss the workload basis for the protester's staffing proposal below.

transportation and lodging. The RFP required offerors to pay a "discount" to the government, representing a portion of their fees and commissions earned from booking official government travel; for unofficial or leisure travel, the RFP required offerors to pay a portion of their fees and commissions to the local Morale, Welfare, and Recreation Fund maintained for each of the military facilities serviced by a CTO.

The RFP stated that award would be made to the offeror whose offer was most advantageous to the government considering the stated evaluation factors. The RFP advised offerors that the "areas of evaluation," listed in descending order of importance, were (1) technical and (2) fees. Of these areas, the technical area was stated to be "moderately more important." The RFP contained the following evaluation factors, listed in descending order of importance:

I. TECHNICAL EVALUATION AREA [deleted]⁴

- Factor 1: Staffing and Organization [deleted]
- Factor 2: Marketing [deleted]
- Factor 3: Subcontracting [deleted]
- Factor 4: Operations [deleted]
- Factor 5: Experience and Past Performance [deleted]

II. DISCOUNT/CONCESSION FEE/THIRD PARTY COMMISSIONS

[Deleted]

DTR-4 PROCUREMENT

On January 31, 1994, the agency received four proposals for DTR-4, including proposals from Sato and Carlson. The proposals were evaluated by an informal technical evaluation board (TEB). Following this initial evaluation, the contracting officer established a competitive range consisting of Sato, Carlson, and a third offeror after he determined that there was not a clearly most advantageous offeror to permit award on initial proposals. Discussions were conducted and best and final offers (BAFO) were solicited by June 23.

Three offerors submitted BAFOs by the due date. The BAFOs were evaluated by the TEB. Following a consensus evaluation, a comparative analysis was prepared by the TEB. This comparative analysis showed that, in the technical area, Carlson

⁴The bracketed percentage weights shown above were the actual weights given by the evaluators to each area; these specific weights were not revealed to the offerors in the RFP but appeared in the agency's internal evaluation plan. The RFP also contained various subfactors for each factor listed.

was rated as "outstanding" overall, while Sato was rated as "excellent" overall.⁵ Specifically, in the BAFO comparative analysis, the factors were evaluated and ranked by the agency as follows:

| | <u>Carlson</u> | <u>Sat</u> |
|---------------------------------|----------------|--------------|
| Staffing & Organization | Outstanding | Satisfactory |
| Marketing | Excellent | Excellent |
| Subcontracting | Superior | Superior |
| Operations | Outstanding | Excellent |
| Experience/ Past Performance | Outstanding | Outstanding |

Concerning rebates to the government, Sato, in its BAFO, offered annual combined fees payable to the government of approximately \$4.7 million (\$23.6 million during the 5 year term) which was higher than Carlson's combined fees of approximately \$4.4 million (\$22.1 million during the 5 year term). Based on the technical results of the comparative evaluation and the rebates offered, the contracting officer determined that Carlson's proposal was the most advantageous to the government and awarded the DTR-4 contract to that firm.⁶ This protest followed written and oral debriefings that were provided to Sato.

EVALUATION OF PROPOSALS

Generally, in reviewing protests concerning the evaluation of proposals, we will examine the agency's evaluation to ensure that it had a reasonable basis. RCA Serv. Co. et al., B-218191 et al., May 22, 1985, 85-1 CPD ¶ 585. The fact that a protester does not agree with the agency's evaluation does not render the evaluation unreasonable. Logistic Servs. Int'l, Inc., B-218570, Aug. 15, 1985, 85-2 CPD ¶ 173.

⁵In the rating scheme used by the TEB, "superior" was the highest rating an offeror could receive, while "outstanding," "excellent," "satisfactory," "marginal," and "unacceptable," followed respectively.

⁶In its protest, Sato alleges that since the record does not contain a separate source selection decision prepared by the contracting officer, he failed to properly document his independent exercise of judgment in making the selection decision. We reject this argument. The contracting officer's assessment of the evaluation results is documented in the agency's "Business Clearance Memorandum" in which the contracting officer specifically concluded that award to Carlson was most advantageous to the government. Moreover, the record contains detailed documentation and analysis of the strengths and weaknesses of each offeror's proposal. In short, based on this record, we have no difficulty understanding the rationale and reasoning of the agency in making its selection decision.

Under the staffing and organization factor, the most important factor in the more important technical evaluation area, both Carlson and Sato, in addition to proposing initial staffing levels in their initial proposals, also proposed methodologies for determining future staffing levels which the agency considered important because base realignments and closures were anticipated. Carlson proposed using a standard of employing [deleted].⁷

In its initial proposal, Sato simply listed [deleted] variables that it would employ in determining future staffing levels, including, for example, [deleted]. Sato also stated, as another example, that it would ensure that [deleted]. According to Sato, "[t]his approach has enabled [Sato] to develop sound estimates of personnel requirements for the DTR-4 contract and will enable the Regional Contract Manager and the appropriate Field Managers to monitor and maintain the staffing at all DTR-4 offices at the most effective levels."

Briefly, the agency found that Sato's "methodology for staffing [was] unclear on how the [firm] came up with the recommended staffing [since] the offeror did not provide a formula or baseline to justify the manning to be provided at each location."⁸ The agency also found that while Sato had used the figures provided in the RFP's "Attachment 7B" for official and leisure air sales, it "did not explain why [it] did not include [consideration of RFP data on] [deleted]." The agency informed Sato during discussions as follows:

"1. The methodology used for staffing was unclear on how the [offeror's] final staffing levels are determined.

"2. Given [Sato's] approach to staffing based on [deleted], there was insufficient explanation of [deleted] the appropriate staffing level at a particular site."

The agency received BAFOs; in response to the agency's discussion questions, Sato made significant changes in its BAFO to its staffing proposal. Of primary concern, Sato, in its BAFO, proposed a methodology for staffing offices using [deleted]. Carlson made no substantive changes in its BAFO to its original proposal; Carlson

⁷Carlson specifically noted in its initial proposal that [deleted]."

⁸We commented on Sato's lack of an explained methodology for staffing in our prior decision concerning the DTR-1 and DTR-2 procurements in which we stated that Sato, "by simply listing [numerous] variables without explanation, effectively reserved to itself the right to unilaterally establish future staffing levels, an approach which the agency, in our view, reasonably determined to be a significant disadvantage which would require discussions to correct."

was evaluated as offering a total of [deleted] FTE travel counselors consistent with its use of [deleted].

Concerning Sato's proposal, the TEB found, however, that Sato's staffing proposal (consisting of [deleted] was inflated by a factor of "at least 39 positions." The TEB stated as follows:

"This finding [(inflation of 39 positions)] is based on [Sato's] failure to base its staffing on the workload data provided in Attachment 7B to the RFP. The TEB found [Sato] had used information other than [and external to] the data provided by the government in the RFP. The RFP data indicates all transactions for leisure and official travel in DTR-4 (air, rail, bus, hotel, auto rentals, cruises, etc.) total approximately 374,965; [Sato] cites 492,806 transactions in its proposed staffing summaries [and the] difference of 117,841 transactions is 31 percent greater than the figures provided by the government in the RFP. Further, [Sato's] staffing standard [deleted] when applied to the actual DTR-4 workload justifies only 125 travel counselor positions. . . . If the government were to accept [Sato's] offer, the contractor could subsequently cut actual staffing by up to 38 percent throughout the region before it would violate its contract. At best, [Sato's] staffing proposal lacks critical documentation; at worst, its proposal can be interpreted as misleading by [merely] appearing to propose [an initial staffing level of] [deleted] personnel—which number may or may not represent full-time or part-time employees."

The contracting officer, in the agency report, also provides the following examples of Sato's inflation of the RFP's transactional data:

| <u>Installation</u> | <u>Attachment 7B of RFP</u> | <u>Sato Initial</u> | <u>Sato BAFO</u> |
|---------------------|-----------------------------|---------------------|------------------|
| Fort Campbell | 15,860 | 15,493 | 21,323 |
| Aberdeen PG | 22,175 | 22,005 | 32,771 |
| Fort Monmouth | 19,172 | 11,267 | 27,516 |

By discounting the "inflated" transactional data upon which Sato proposed its staffing, the agency effectively evaluated Sato as proposing as few as [deleted] FTE travel counselors; even using the "external data" relied upon by Sato, the agency evaluated the total travel counselors as approximately FTEs; Sato agrees with the latter figure. Sato also does not dispute that Carlson proposed at least

[deleted] FTE travel counselors (as stated above, the agency actually evaluated the Carlson proposal as offering [deleted] FTE travel agents).⁹

Concerning other examples of disadvantages found by the agency in Sato's BAFO, the agency determined that while Sato (as well as Carlson) recognized the fact that leisure transactions require more time to complete than official transactions, Sato never explained in its proposal how this difference would affect proposed staffing levels at CTOs performing significant amount of leisure travel transactions. The agency also reiterates that Sato failed to explain [deleted].¹⁰

In its protest pleadings, Sato explains that its formula of [deleted] is a more accurate measure of activity at any given location than a formula based on dollar sales volume, especially in an environment of declining airline ticket prices. Sato states that Attachment 7B of the RFP had locations listed (on data sheets) for official travel and for unofficial travel; these data sheets contained entries for both the "Number of Transactions" and the "\$ Volume" pertaining to individual categories of sales, such as commercial air, car rental, and hotels. Sato explains that when there were no sales of a particular type at a location, this was indicated in the data sheets by the entry of a "0" under both the "Number of Transactions" column and the "\$ Volume" column. In certain circumstances, however, the site listing in Attachment 7B identified a specific dollar volume for a particular category of sales but did not identify a corresponding figure for the number of transactions. According to Sato, in these instances, the firm estimated in its BAFO the number of transactions required for these categories of sales based on the dollar volumes shown in the RFP. Sato insists that this methodology accurately anticipated the workload for each location and that limiting itself solely to the transactional data of Attachment 7B would have resulted in an understatement of its proposed site staff. However, the only narrative explanation in its BAFO cited by Sato as explaining this proposed staffing methodology is a brief statement that Sato's transactional numbers were "[b]ased on our estimates of the number of transactions per locations derived from the data contained in [Attachment] 7B."

Based on our review of the protest pleadings and the record as a whole, we find that counsel for the protester has adequately explained the various staffing methodologies and assumptions made by Sato in submitting its BAFO. However, because offerors are required to provide adequate explanations of significant changes in their final offers, see The EC Corp., B-238505, May 30, 1990, 90-1 CPD

⁹For purposes of our decision, we need not resolve the difference between Sato's and the agency's views of the number of FTEs which Carlson offered.

¹⁰We limit our discussion to these issues under the staffing factor because we think that resolution of these issues are dispositive of the protest; we therefore will not discuss various additional disadvantages found by the agency in Sato's BAFO.

¶ 509, and because we find no such adequate explanations in Sato's BAFO, we conclude that the agency reasonably determined that Sato's BAFO was substantially deficient in explaining to the agency the terms and specifics of its staffing approach.

As explained above, Sato's transactional based staffing methodology was first introduced in its BAFO following discussion questions by the agency in which Sato was informed that its "methodology used for staffing was unclear [concerning how] final staffing levels are determined." We find that primarily because of Sato's lack of explanation in its BAFO concerning its proposed staffing methodology, the agency reasonably misunderstood the source and meaning of the additional transactional data which Sato generated by converting dollar volume sales to transactional data. Specifically, the agency believed that Sato had based its proposed staffing on data and information "external" to the RFP. As a result, the agency reasonably interpreted Sato's BAFO as potentially proposing extremely low staffing—as few as [deleted] travel agents. An offeror assumes the risk that changes in its final offer might raise questions about the adequacy of its offer in meeting requirements of the solicitation and, thus, result in rejection or downgrading of its proposal. See The EC Corp., supra.

In view of the ambiguities and omissions in Sato's proposal concerning staffing methodologies, we find the agency's rating of Sato's BAFO as satisfactory in staffing to have been reasonable. In short, assuming, as we must, a reasonably evaluated staffing level of [deleted] travel agents for Sato as compared with a minimum of [deleted] FTEs for Carlson, Sato's BAFO, in our view, was reasonably regarded by the agency as greatly inferior to Carlson's in the technical area of staffing, the most important factor in the more important technical evaluation area. Indeed, based on the staffing evaluation alone, as discussed below, the selection of Carlson at a slightly lower rebate was justified.

The agency rated both firms as excellent in the next most important technical area—marketing. Sato argues that it submitted the better plan for providing financial assistance to travelers (including its [deleted]); that it offered VISA cards on better terms than did Carlson; that it submitted the better plan for increasing leisure travel sales; and that it dedicated more resources to support promotional efforts (marketing tasks). While Sato argues that it submitted the "better" plans or approaches or resources, nowhere does it allege that Carlson's proposal was substantially and greatly inferior to Sato in the marketing factor. In view of our findings above concerning Sato's staffing proposal, even if Sato were to receive a perfect rating of "superior" in this area, it would not alter our ultimate conclusion concerning the reasonableness of the agency's selection decision.¹¹

¹¹Under the operations factor, worth only [deleted] percent of the technical area,
(continued...)

In the subcontracting factor, the third most important factor, both firms received a "superior" rating, the highest rating attainable (Sato's proposal committed to subcontracting [deleted] percent of the contract's total value to small and disadvantaged business while Carlson proposed [deleted] percent). Sato argues that it was "slightly better" in this area because, in addition to subcontracting direct travel agency functions, it also provided a commitment for subcontracting with small and disadvantaged business for [deleted]. Even assuming that Sato's proposal was "slightly better," we fail to understand how Sato should have earned more than a perfect score or why Carlson should be downgraded a full adjectival rating for its comparable [deleted] percent commitment to subcontracting with small and disadvantaged business. The agency found both firms essentially equal; we have no basis to disturb this finding. We note additionally that Sato does not challenge the agency's rating of both firms as outstanding in the factor "experience/past performance."

Regarding the selection decision, source selection officials in negotiated procurements have broad discretion in determining the manner and extent to which they will make use of the technical and cost evaluation results. Grey Advertising, Inc., 55 Comp. Gen. 1111 (1976), 76-1 CPD ¶ 325. In exercising that discretion, they are subject only to the tests of rationality and consistency with the established evaluation factors. Id. Since the agency found that Carlson offered as much as [deleted] percent more qualified travel counselors to perform the contract than did Sato, and since the agency also determined that Sato's rebate offer was only 6.8 percent greater than Carlson's rebate proposal, we easily conclude that the agency reasonably determined that Carlson's technically superior offer was worth the slightly lower rebate.

The protest is denied.

Robert P. Murphy
General Counsel

¹¹(...continued)

Sato argues that it was superior under only three of the five elements of that factor reviewed by the agency. We do not think that one of five subfactors (elements) of this relatively minor factor could rationally change the outcome of the selection decision.