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¶ 53 Cost And Price Realism Protests: Strategies For Disarming An Agency's Discretion

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“They can’t possibly perform this work for that amount of money” is a frequent battle cry of disappointed bidders. An area often selected as a basis for protest is, therefore, whether the agency adequately evaluated an awardee’s estimated cost or proposed price, and whether that cost or price is realistic for performing the work. Yet, simply questioning the realism of an awardee’s estimated cost or proposed price will almost never carry the day. Instead, for its challenge to have a better chance of success, a protester should look for a specific agency calculation, comparison or assumption to attack, and then demonstrate how that aspect of the agency’s realism analysis was unreasonable.

This article examines some of the most important aspects of an agency’s realism analysis and the Government Accountability Office’s review of that analysis.² We start with the basics—what are the different types of realism analyses, what purposes they serve and when they are required. Then, we dive into two areas of cost most frequently implicated in protests relating to a realism evaluation: (1) contractor compen-

sation, and (2) staffing levels and resources. We also discuss how protesters might leverage a challenge to the agency’s realism analysis to challenge other aspects of the source selection process, such as discussions. In each of these sections, we look at how GAO applies its deferential standard of review and discuss how protesters might maximize their ability to articulate a winning protest argument.

Realism Basics: Types, Purposes and Requirements

There are two types of realism analyses: cost realism and price realism. Each serves a related, but different, purpose depending on the type of contract being awarded. For cost-reimbursement contracts, agencies evaluate an offeror’s estimated costs of performance using cost realism analyses. Cost realism “is the process of independently reviewing and evaluating specific elements of each offeror’s proposed cost estimate 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 technical proposal.”³ In other words, in light of the offeror’s

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proposed technical approach, is any element of its estimated costs too low?

Agencies are required to conduct this analysis for cost-reimbursement contracts because, regardless of the costs proposed by the offeror, the Government is ultimately bound to reimburse the contractor for its actual allowable costs.⁴ In fact, because agencies must consider cost before awarding any cost-type contract, they are required to conduct this analysis even before awarding an indefinite-delivery, indefinite-quantity contract, not just before awarding individual task or delivery orders.⁵

If, as a result of this analysis, an agency determines that an offeror underestimated its costs, the agency must increase that offeror's price accordingly for purposes of determining which offer presents the best value.⁶ This adjustment is commonly referred to a most probable cost (MPC) adjustment. As part of this analysis, agencies may also consider whether an offeror has overstated its costs, but any adjustments on this basis are relatively rare, and a protester generally will not succeed in arguing that an agency should have adjusted its estimated cost downward.⁷ In fact, agencies may include a solicitation provision expressly prohibiting such downward adjustments.⁸

In addition to adjusting an offeror's proposed cost, an agency may also evaluate an unrealistically low cost as presenting performance risk. For example, in the context of a cost-plus-incentive-fee (CPIF) contract, an unrealistically low price can defeat the purpose of the incentive-fee provision. If the offeror's target cost is so low that the agency anticipates an overrun that drops the incentive fee to the minimum amount, the incentive-fee provision no longer provides the contractor with a financial incentive to control costs. As a result, GAO has held that agencies must take these performance-risk considerations into account when evaluating CPIF contracts.⁹ Even for non-CPIF contracts, agencies may state in the solicitation that they will deem any offer that requires a significant MPC adjustment—often defined by a particular percentage—to be unrealistic and, therefore, technically unacceptable.¹⁰

For fixed-price contracts, agencies can perform a

similar realism analysis. However, if an agency intends to evaluate the realism of an offeror's proposed fixed price, it must provide advance notice to offerors because GAO generally recognizes that "below-cost prices are not inherently improper."¹¹ Thus, in the absence of an express price realism evaluation criteria, GAO will interpret a solicitation as requiring this type of analysis if the solicitation states two things: "[1] that the agency will review prices to determine whether they reflect a lack of technical understanding, and . . . [2] that a vendor/offeror's submission may be rejected on the basis of low prices."¹² GAO will also interpret a solicitation as requiring a price realism analysis—at least of an offeror's compensation—if the solicitation incorporates the evaluation of compensation for professional employees at Federal Acquisition Regulation 52.222-46.¹³

If an agency provides for a price realism evaluation, then the agency is committed to perform such an evaluation. This is so even if the solicitation merely states that the agency "may reject" a proposal that is evaluated as unrealistically low.¹⁴ The exception to this rule is if the agency "reserves the right" not just to reject unrealistic proposals, but to conduct a price realism evaluation in the first instance.¹⁵ But even then, if the agency elects to conduct a price realism evaluation, GAO will sustain a protest if the agency's analysis is unreasonable.¹⁶

The key difference between price and cost realism evaluations is how agencies use their conclusions. When conducting a price realism analysis, even if an agency concludes that an offeror's proposed price is unrealistically low, it cannot adjust the offeror's proposed price (unlike with a cost realism analysis, where the agency can make an MPC adjustment). Instead, the agency may consider its conclusion only as part of its technical evaluation—in other words, whether there is increased risk with the low-priced offeror's approach, or whether the offeror adequately understands the nature and scope of the performance requirements.¹⁷

Both cost realism and price realism analyses are distinct from and should not be confused with an agency's price reasonableness analysis. Realism anal-

ysis generally focuses on whether an offeror's estimated costs (cost-reimbursement contracts) or proposed prices (fixed-price contracts) are too *low*. Reasonableness analysis, on the other hand, evaluates whether an offeror's estimated costs or proposed prices are "fair and reasonable"—or too *high*.¹⁸ As a result, an agency's reasonableness analysis is not a sufficient substitute for a realism analysis when one is required.

Although these rules are fairly straightforward, GAO has sustained a surprising number of protests on the basis that an agency either improperly rejected an offeror's proposal as unrealistically priced,¹⁹ or failed to undertake a price realism analysis when the solicitation required one.²⁰ Additionally, agencies sometimes forget to mention the realism analysis, or conflate realism and reasonableness during their debriefings.

Although such debriefing mistakes technically should have no impact on the outcome of the protest—which is based on the evaluation record, not the debriefing materials—these types of mistakes during a debriefing may open the door for an initial protest on realism grounds because they provide a straightforward, nonspeculative protest ground that allows the protester to request all of the underlying documents related to the agency's realism analysis. Plus, because an agency's realism analysis is inherently intertwined with its technical evaluation, a protester could leverage the agency's mistake to obtain the technical evaluation materials as well. Armed with these additional record documents, a protester may be better positioned to support its initial protest ground, and perhaps identify new areas to protest.

GAO's Deferential Standard of Review

If an agency undertakes the appropriate type of analysis, it generally enjoys significant discretion from GAO. In the context of a cost realism evaluation, GAO often phrases its standard of review as being "limited to determining whether the cost analysis is reasonably based and not arbitrary."²¹ GAO has explained that an agency's analysis "need not achieve scientific certainty," but that the "methodology employed must be reasonably adequate [to] provide some measure of confidence that the rates proposed are reasonable and

realistic in view of other cost information reasonably available to the agency at the time of its evaluation."²² In the context of a price realism evaluation, GAO has similarly emphasized that its review is "limited to determining whether [the agency's analysis] was reasonable and consistent with the terms of the solicitation."²³

In light of these standards, GAO endeavors not to question the judgment of an agency's cost/price evaluators. Instead, GAO generally sustains realism protests if the agency (1) fails to document its analysis;²⁴ (2) makes an adjustment or finding based on a misunderstanding of an offeror's proposal;²⁵ (3) makes a mistake in its calculations or its comparison with relevant data;²⁶ or (4) bases its analysis on an assumption or conclusion that is objectively unreasonable or incorrect.²⁷ *Smartronix* provides a good example of this last category—an objectively unreasonable assumption.²⁸

In *Smartronix*, the agency observed during its evaluation that offerors had different direct and indirect labor rates.²⁹ The agency assumed, without any further information, that the offeror with higher proposed indirect rates had more flexibility to reduce its costs—as if the offeror's indirect costs were optional costs that the offeror could forego if needed.³⁰ The agency thus concluded that the offeror with higher proposed indirect costs could offset otherwise unrealistically low compensation by reducing its indirect costs during performance.³¹ In particular, the agency stated that "the company could choose to forego some indirect costs . . . for certain critical or key positions should they need to pay more without negatively impacting the company's proposed cost ceiling or future performance."³² GAO sustained the protest because it was objectively unreasonable for the agency to assume that the offeror would not actually incur all of the higher indirect costs that it had estimated in its proposal. This case thus teaches protesters to focus on the reasonableness of the agency's underlying assumptions rather than its ultimate conclusion.

By contrast, the level of detail and types of analyses used tend to fall into the category of judgment, for which GAO generally defers to an agency, even if there

are significant price differences. For example, in *Sierra Nevada Corp.*, the protester argued that one awardee's price (\$1.75 billion) was unrealistically low because it was significantly lower than the protester's proposed price (\$2.5 billion), and the other awardee's price (\$3 billion).³³ However, GAO found that the agency's judgment was reasonable because the agency noted specific reasons why the lower-priced awardee could perform at the lower price.³⁴ The protester complained that NASA did not quantify the potential savings of each aspect of the low-priced awardee's approach. But in finding NASA's analysis reasonable, GAO characterized the protester's complaint as an "attempt to impose a higher standard for the agency's review of price realism than that set forth by the [request for proposals] and applicable regulations."³⁵

Two Cost Areas Frequently Implicated in an Agency's Cost Realism Analysis

Contractor Compensation

Given the prevalence of service contracts today, one key aspect of any agency's realism analysis is whether the offeror proposed compensation high enough to recruit and retain the necessary personnel. Many protesters focus (unsuccessfully) on whether the agency relied on an appropriate benchmark for evaluating proposed compensation amounts. Yet GAO has generally afforded agencies significant discretion in selecting which data points represent the appropriate benchmark for the agency's analysis. For example, in *Smartronix*, even though GAO found the agency's analysis unreasonable on other grounds, it determined that the agency's decision to look at multiple types of data, including salary surveys, was reasonable, and that the agency was not required to limit its evaluation to historical incumbent data, as the protester had argued.³⁶

Similarly, GAO has found reasonable an agency's reliance on market surveys rather than the incumbent's historical costs, even though the non-incumbent awardee proposed to hire a particular percentage of the incumbent's personnel. For example, in *Science Applications Int'l Corp.*, the awardee proposed an objective of "being able to retain 'up to [a redacted percentage] of personnel.'" ³⁷ The incumbent protested,

arguing that the awardee's direct labor rates were below the incumbent rates, and that "given [the awardee's] proposal to retain up to [a redacted percentage] of the incumbent workforce, a reasonable cost realism analysis of [the awardee's] proposal would have resulted in an upward adjustment to [its] proposed rates."³⁸ In denying the protest, GAO rejected the protester's argument that the agency was required to look at the incumbent rates instead of current market rates:

We find the agency's cost realism analysis to be unobjectionable. [The incumbent] assumes in its protest that a reasonable cost realism analysis must be based on a comparison of [the awardee's] proposed rates to [the incumbent's] proposed rates or the rates it is currently paying the incumbent employees, such that a proposed rate which is less than the incumbent employee's rate [is] unrealistic. [The incumbent], however, has not provided any information which indicates that the direct rates [the awardee] and its subcontractors proposed were less than the current market rates for similar labor categories. Thus, there is no basis to find that the agency was unreasonable in concluding that [the awardee] would be able to hire qualified personnel, including at least some of the incumbent personnel.³⁹

Likewise, in *CenterScope Technologies, Inc.*, GAO rejected the protester's argument that the agency should have adjusted the awardee's proposed costs to match the higher incumbent rates "because the awardee did not identify any specific positions that it intended to fill with incumbent personnel," even though it proposed to recruit some incumbent personnel.⁴⁰

To get beyond this deferential standard of review, protesters should seek to tie their challenge to a unique aspect of the procurement or the awardee's proposal. By tailoring the same argument made by the protesters in *Science Applications* and *CenterScope*—that the agency should have considered the incumbent compensation levels—to a specific aspect of the awardee's approach, a protester may have a greater chance to succeed.

For example, in *Magellan Health Services, Inc.*, the awardee's proposed technical approach relied on the use of specific incumbent personnel at specific salaries.⁴¹ In particular, the awardee's technical pro-

posal stated that the company would recruit the incumbent workforce and “match all existing salaries of the field employees[,] plus increase them.”⁴² In its cost proposal, however, the awardee did not match these higher rates, and the agency was aware of the discrepancy between the awardee’s proposed rates and the incumbent salaries.⁴³ Nonetheless, the agency declined to adjust the offeror’s cost, and a protest followed.⁴⁴

GAO sustained the protest explaining that because the awardee “had proposed to match all existing field employee salaries, a proper cost realism analysis would compare [the awardee]’s proposed hourly rates to the incumbent employees’ current pay rates and adjust accordingly.”⁴⁵ Similarly, in *Wisconsin Physicians Service Insurance Corp.*, the awardee “stated in its technical proposal that it would perform the contract requirements using its [own] existing staff,” but without any explanation, “proposed rates that were based on market surveys.”⁴⁶ There, too, GAO found that the agency did not reasonably evaluate the awardee’s proposed costs because its analysis failed to account for the awardee’s proposed technical approach.⁴⁷

Additionally, instead of merely questioning the appropriateness of an agency’s use of a particular benchmark, protesters appear to have more success if they focus on *how* an agency evaluated proposals against the chosen benchmark. For example, in *MicroTechnologies*, GAO found the agency’s analysis unreasonable, even though the agency used both incumbent compensation and salary survey data.⁴⁸

In sustaining the protest, GAO focused on two key errors in the agency’s comparisons. *First*, GAO found that the agency did not reasonably map the proposed labor categories to the labor categories included in the benchmark data.⁴⁹ Because the agency could not support its mapping, it could not reasonably rely on any comparisons based on that mapping. *Second*, GAO found that the agency used the wrong data points when comparing the proposals to the survey data.⁵⁰ The agency compared the offerors’ fully burdened rates (which included salaries, fringe, overhead, general and administrative expenses, and profit) with unburdened salary information from the survey.⁵¹ The agency did so even though it asked offerors to provide their

unburdened rates in their proposals.⁵² By raising these specific flaws in the agency’s comparisons, the protester was able to elevate its protest beyond the agency’s realm of discretion and mere disagreement.

Contractor Staffing Levels and Resources

Another common protest ground relates to whether offerors proposed enough resources to perform the requirement successfully. Protesters often raise this as an issue if an agency makes an MPC adjustment that undercuts their alleged competitive edge. As with the agency’s compensation analysis, a successful protest will typically be based on the agency’s application of some underlying calculation, comparison or assumption to reach its conclusion, rather than on the agency’s ultimate conclusion itself.

To evaluate whether an offeror proposed enough resources, agencies often rely on independent Government cost estimates (IGCEs). Although IGCEs are generally appropriate and useful tools, agencies must be careful to avoid giving them dispositive weight. This is particularly true if the solicitation affords offerors the option to propose their own staffing levels. For example, in *AXIS Management Group*, the agency adjusted the protester’s annual hours (from 1880 to 1920) and the offeror’s labor category mixes specifically to “match the historical data and the current requirement.”⁵³ GAO determined that by making these adjustments the agency effectively “normalized each offerors’ labor hours and labor mix to conform to an internal government estimate of its current need.”⁵⁴ GAO sustained the protest, because “[n]ormalization is not proper . . . where varying costs between competing proposals results from different technical approaches that are permitted by the RFP.”⁵⁵

But here again, the specifics of the procurement matter. An agency might justify a decision to normalize proposals if it can show that any differences in competing technical approaches do not justify the varying costs.⁵⁶ In some cases, an agency might even justify replacing the offerors’ proposed costs with a plug number.⁵⁷ As the case law shows, the ultimate question is whether the offeror has accurately projected the cost of successfully performing based on its proposed approach.

Other Types of Realism Adjustments

In some cases an agency does not segregate its realism analysis into discrete cost items that protesters can pick apart to look for such comparisons, calculations and assumptions. In those cases, where the agency can justify a more general, holistic approach to its adjustments of an offeror's proposed cost or price, a protester will likely have a difficult time. This is frequently seen in complex, developmental procurements in which an agency has more fundamental concerns, and the offeror's bases of estimates do not allow the agency to fit its adjustments squarely within the compensation, staffing level or indirect rate categories. *Space Systems/Loral LLC* is illustrative.⁵⁸

In *Space Systems/Loral*, the protester developed its proposed cost for an advanced electric propulsion system for NASA by looking at its historical costs for what it viewed as similar commercial projects, and multiplying those costs by a complexity factor.⁵⁹ NASA concluded that these proposed costs "were neither technically credible nor sufficiently supported."⁶⁰ In particular, NASA questioned two overarching aspects of the protester's approach to estimating its costs: (1) the protester's "reliance on the 'actual' costs . . . incurred in developing some commercial systems that have been in production for nearly two decades," and (2) the protester's "assignment of complexity factors at 1.0 or lower—meaning that those tasks would require the same resources or less as a comparable part of [the protester]'s system."⁶¹

Rather than attempting to increase particular staffing levels or compensation costs to adjust the protester's estimated cost to account for these concerns, NASA "relied on the IGCE as a baseline to develop upward adjustments."⁶² NASA explained that it "was unable to estimate appropriate upward adjustments to [the protester]'s proposed . . . labor hours based on information presented in [the] proposal," and GAO found NASA's adjustment to be reasonable.⁶³

In cases such as this, in which the agency's analysis is perceived to be more broadly focused on answering the question of whether the offeror accurately projected the overall cost of successfully performing the require-

ment, it is more difficult to overcome the deference afforded to the agency. This is because the broader focus of the realism evaluation tends to shift the protest more into the realm of a challenge to the agency's judgment, rather than remain an argument against the application of a specific calculation or assumption untethered to the offeror's proposed technical approach. The agency's judgment is, therefore, more likely to withstand scrutiny.

That said, there are limits on how and the extent to which any agency may adjust an offeror's approach to estimating costs. For example, an agency cannot make an adjustment that would alter a contractor's compliant accounting practice.⁶⁴ An agency also cannot adjust any indirect rates if the offeror proposed an effective cap on those rates.⁶⁵ This is because a capped rate shifts the risk of a cost overrun from the Government to the contractor.⁶⁶ This also means that an agency cannot adjust an offeror's fixed fee in a cost-plus-fixed-fee contract.⁶⁷ These are just a few examples of the more general constraints on an agency's realism analysis.

Expanding the Protest

Because the realism of an offeror's proposed estimated cost or fixed price implicates the offeror's technical approach, an agency's realism evaluation plays an important role in other evaluation aspects as well. As a result, protesters may challenge other aspects of the procurement because of perceived mistakes in the realism analysis.

One area ripe for scrutiny in these situations is the adequacy of the agency's discussions. For fixed-price contracts, an agency often advises offerors of its risk findings during discussions. Indeed, if the findings amount to significant weaknesses or deficiencies, the agency must disclose such findings to the offeror in discussions.⁶⁸ If the procurement involves a cost-reimbursement contract, agencies sometimes disclose their MPC adjustments so that offerors can revise their proposals either by increasing their proposed estimated costs, or by providing additional support for their existing estimates. When an agency relies on its realism evaluation findings to develop its discussion questions, it must be sure to evaluate all offerors' revised proposals with the same methodology.

For example, in *CFS-KBR Marianas; Fluor Federal Solutions LLC*, during discussions, the agency told the protester the number of full-time-equivalent employees (FTEs) by which it considered the protester's proposal deficient, as well as the annexes (or work areas) where the agency felt those FTEs belonged.⁶⁹ The protester adjusted its proposal accordingly, but when the agency evaluated the revised proposal, it used a different staffing baseline.⁷⁰ As a result, GAO found that the agency's discussions misled the protester into raising its price. By leveraging the agency's mistake in a separate protest ground related to the adequacy of the agency's discussions, the protester obtained more meaningful relief—an opportunity to revise its proposal—rather than a mere reevaluation.

Conclusion

Although it may be enough to bring a protest by alleging that the awardee's estimated cost or proposed price is simply too low, to improve the odds of overcoming the significant discretion afforded to agencies, protesters should look for ways to develop that initial argument. As the case law shows, it is important to focus either on the absence of any evidence in the record (not just the debriefing), or on specific problems with a particular agency calculation, comparison or assumption used in the agency's realism analysis. By focusing on the specific details, protesters will be better positioned to disarm the agency of its deference.

ENDNOTES:

²For this article, we have limited our discussion to protests before GAO and not the U.S. Court of Federal Claims because GAO hears the vast majority of bid protests.

³Federal Acquisition Regulation 15.404-1(d)(1).

⁴FAR 15.404-1(d)(2); *Computer Scis. Corp. et al.*, Comp. Gen. Dec. B-408694.7, 2014 CPD ¶ 331.

⁵*CACI, Inc.—Fed.; Booz Allen Hamilton, Inc.*, Comp. Gen. Dec. B-413028, 2016 CPD ¶ 238; *Computer Scis. Corp. et al.*, B-408694.7, supra.

⁶FAR 15.404-1(d)(2)(ii).

⁷See *Tantus Techs., Inc.*, Comp. Gen. Dec. B-411608, 2015 CPD ¶ 299 (“While our Office has held that an agency should downwardly adjust an offeror's costs where its proposal shows a misunderstanding

of the requirements which would cause the government to incur a lower cost than the offeror proposed, an agency need not do so where the offeror's proposed costs reflect its technical approach.”).

⁸See, e.g., *Trandes Corp.*, Comp. Gen. Dec. B-411742.5, 2016 CPD ¶ 173.

⁹*Prism Maritime, LLC*, Comp. Gen. Dec. B-409267.2, 2014 CPD ¶ 124.

¹⁰See *Oasis Sys., LLC; Quantech Servs., Inc.*, Comp. Gen. Dec. B-408227.10, 2016 CPD ¶ 124 n.6 (citations omitted) (“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. The [request for task order proposals] 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.”).

¹¹*W.P. Tax & Accounting Grp.*, Comp. Gen. Dec. B-411899, 2015 CPD ¶ 331.

¹²*IBM U.S. Fed.*, Comp. Gen. Dec. B-409806, 2014 CPD ¶ 241.

¹³See *L-3 Nat'l Sec. Solutions, Inc.*, Comp. Gen. Dec. B-411045, 2016 CPD ¶ 233 (“In the context of a fixed-price labor hour contract, our Office has held that this FAR clause anticipates an evaluation of whether an awardee understands the contract requirements, and has proposed a compensation plan appropriate for those requirements, in effect, a price realism evaluation regarding an offeror's proposed compensation.”).

¹⁴*Esegur-Empresa de Seguranca, SA*, Comp. Gen. Dec. B-407947, 2013 CPD ¶ 109 (“The [request for proposals'] use of the term 'may' in this instance refers to the agency's discretion to reject an unrealistically low price, as opposed to reserving to the agency the right to evaluate prices for realism in the first instance.”).

¹⁵*Solers Inc.*, Comp. Gen. Dec. B-409079, 2014 CPD ¶ 74 (“Where, as here, an agency states in a solicitation that it 'reserves the right' to conduct a price realism analysis, the decision to conduct such an analysis is a matter within the agency's discretion.”).

¹⁶Id.

¹⁷FAR 15.404-1(d)(3) (“Results of the analysis may be used in performance risk assessments and responsibility determinations. However, proposals shall be evaluated using the criteria in the solicitation, and the offered prices shall not be adjusted as a result of the analysis.”).

¹⁸*Metis Sols., LLC et al.*, Comp. Gen. Dec. B-411173.2, 2015 CPD ¶ 221 (“The question of price

reasonableness involves consideration of whether or not a proposed price is too high; the question of whether or not a proposed price is too low involves consideration of price realism, not price reasonableness.”); FAR 15.402(a) (“Contracting officers shall [p]urchase supplies and services from responsible sources at fair and reasonable prices.”).

¹⁹See, e.g., *W.P. Tax & Accounting Grp.*, Comp. Gen. Dec. B-411899, 2015, 2015 CPD ¶ 331.

²⁰See, e.g., *Valor Healthcare, Inc.*, Comp. Gen. Dec. B-412960, 2016 CPD ¶ 206.

²¹*Smartronix, Inc.; ManTech Advanced Sys., Int’l, Inc.*, Comp. Gen. Dec. B-411970, 2015 CPD ¶ 373.

²²Id.

²³*Intelsat Gen. Corp.*, Comp. Gen. Dec. B-412097, 2016 CPD ¶ 30.

²⁴*Valor Healthcare, Inc.*, supra.

²⁵*Gen. Dynamics Advanced Info. Sys., Inc.*, Comp. Gen. Dec. B-411771, 2015 CPD ¶ 322 (sustaining protest where “the agency lacked a reasonable basis for interpreting [the protester’s] cost proposal in this manner”).

²⁶*MicroTechnologies, LLC*, Comp. Gen. Dec. B-413091, 2016 CPD ¶ 219 (sustaining protest where the agency compared offeror’s proposed unburdened rates with burdened rates from salary surveys).

²⁷*Smartronix*, supra (sustaining protest where the agency assumed that higher indirect costs meant that the offeror had more flexibility because “the company could choose to forego some indirect costs . . . for certain critical or key positions should they need to pay more without negatively impacting the company’s proposed cost ceiling or future performance.”).

²⁸Id.

²⁹Id.

³⁰Id.

³¹Id.

³²Id.

³³*Sierra Nevada Corp.*, Comp. Gen. Dec. B-410485, 2015 CPD ¶ 23.

³⁴Id.

³⁵Id.

³⁶*Smartronix*, supra.

³⁷*Sci. Applications Int’l Corp.*, Comp. Gen. Dec. B-406460, 2012 CPD ¶ 181.

³⁸Id.

³⁹Id.

⁴⁰Comp. Gen. Dec. B-411293, 2015 CPD ¶ 234.

⁴¹Comp. Gen. Dec. B-298912, 2007 CPD ¶ 81.

⁴²Id.

⁴³Id.

⁴⁴Id.

⁴⁵Id.

⁴⁶Comp. Gen. Dec. B-401063, 2012 CPD ¶ 35.

⁴⁷Id.

⁴⁸Comp. Gen. Dec. B-413091, 2016 CPD ¶ 219. Although this decision focuses on the clause at FAR 52.222-46, which required the compensation analysis there, rather than traditional price realism criteria, the same realism principles apply. See id.

⁴⁹Id.

⁵⁰Id.

⁵¹Id.

⁵²Id.

⁵³Comp. Gen. Dec. B-408575, 2013 CPD ¶ 247.

⁵⁴Id.

⁵⁵Id.

⁵⁶See *Sevenson Env’tl. Servs., Inc.*, Comp. Gen. Dec. B-412676, 2016 CPD ¶ 235 (finding agency’s realism adjustment reasonable where it “adopted a ‘plug number’ for the task and adjusted each offeror to the government estimate”).

⁵⁷Id.

⁵⁸Comp. Gen. Dec. B-413131, 2016 CPD ¶ 242.

⁵⁹Id.

⁶⁰Id.

⁶¹Id.

⁶²Id.

⁶³Id.

⁶⁴*Kellogg Brown & Root Servs., Inc.*, Comp. Gen. Dec. B-298694, 2006 CPD ¶ 160 (sustaining protest where the agency adjusted the protester’s cost upward by reclassifying costs in a manner inconsistent with the contractor’s disclosed accounting practice).

⁶⁵*Affordable Eng’g Servs., Inc.*, Comp. Gen. Dec. B-407180.4, 2015 CPD ¶ 334 (“[W]hen offerors propose such caps, and no other issue calls into question the effectiveness of the cap, upward adjustments to capped costs are improper.”).

⁶⁶Id.

⁶⁷*Nortel Gov’t Sols., Inc.*, Comp. Gen. Dec. B-299522.5, 2009 CPD ¶ 10.

⁶⁸FAR 15.306(d)(3).

⁶⁹Comp. Gen. Dec. B-410486, 2015 CPD ¶ 22.

⁷⁰Id.