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Decision

Matter of: OBX-MCR Alliance, LLC

File: B-422266.4

Date: February 18, 2025

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DIGEST

1. Protest that the agency's determination of price reasonableness was unreasonable is denied where the agency reasonably compared the protester's price to comparable historical pricing from various sources.
2. Protest that the agency's best-value tradeoff was unreasonable and inadequately documented is denied where the redacted source selection decision produced by the agency in response to the protest sufficiently demonstrated that the agency reasonably concluded that the awardee's higher-rated proposal was worth the associated price premium.

DECISION

OBX-MCR Alliance, LLC, a small business of McLean, Virginia, protests the issuance of a task order to Tecolote Research, Inc., a small business of Goleta, California, pursuant to Task Order Request (TOR) No. 47QFPA23R0002 issued by the General Services Administration (GSA) under GSA's One Acquisition Solution for Integrated Services (OASIS) Small Business Pool multiple award contract for financial support services for the United States Space Force. The protester alleges that the agency's price analysis and best-value tradeoff were unreasonable.

We deny the protest.

BACKGROUND

On April 20, 2023, the agency issued the TOR seeking to issue a single task order for a broad range of financial management services to replace two existing competitively awarded task orders for similar services that were both slated to expire in 2024. Contracting Officer's Statement (COS) at 1-2. These two incumbent contracts were held by MCR Federal, LLC (one of the protester's joint venture members) and Tecolote, respectively. *Id.*

The TOR contemplated award on the basis of a best-value tradeoff between two factors: (1) technical capability; and (2) price. Agency Report (AR), exh. 2, Tab 1, TOR at 63. Additionally, the solicitation contemplated a pass/fail evaluation of each offeror's quality control plan. *Id.* The solicitation explained that the non-price factors were more important than price, and that the agency may make award to a proposal other than the lowest-priced proposal. *Id.* at 63-64.

Relevant to this protest, the solicitation provided that price proposals would be evaluated for price reasonableness and fairness, and that the agency may reject any proposal with an unreasonably high price. *Id.* at 68. The solicitation did not identify how the agency would assess price reasonableness. *Id.*

On November 3, 2023, the agency received two offers, one from OBX-MCR and one from Tecolote. COS at 3. The agency initially made award to Tecolote, and OBX-MCR subsequently filed a protest with our Office. *Id.* OBX-MCR's protest alleged, among other things, that the agency had conducted an impermissible price realism assessment, and that the agency's conclusion that Tecolote's price was fair and reasonable was unreasonable and inadequately documented. See B-422266.1, Protest *generally*.

Following development of the record, the GAO attorney assigned to the protest conducted an outcome prediction alternative dispute resolution (ADR) teleconference. During the teleconference, the GAO attorney informed the parties that only two of the protester's arguments appeared meritorious. First, the attorney explained that the agency conducted an impermissible and unreasonable price realism analysis because the solicitation contemplated a primarily fixed-price task order but did not announce to the parties that a price realism analysis would be performed. Second, the attorney explained that the agency's price reasonableness evaluation, which relied on an independent government cost estimate (IGCE), was unreasonable and inadequately documented in several respects.

Following the ADR, the agency filed a notice of its intent to take corrective action in response to OBX-MCR's protest by reevaluating price proposals and making a new award decision, and our Office dismissed the protest as academic. *OBX-MCR Alliance, LLC*, B-422266, B-422266.2, Mar. 11, 2024 (unpublished decision). The agency then reevaluated price proposals and again made award to Tecolote on May 30. OBX-MCR protested that award on June 18, 2024. On July 12, the agency notified GAO that it

intended to take further corrective action, and we again dismissed the protest as academic. *OBX-MCR Alliance, LLC*, B-422266.3, Jul. 16, 2024 (unpublished decision). On October 11, the agency made award, for a third time, to Tecolote at an evaluated price of \$184,970,025, and this protest followed.¹

DISCUSSION

The protester challenges the agency's price reasonableness evaluation and best-value tradeoff. Protest at 7-24. Specifically, the protester alleges that each of the three price evaluation methods used by the agency to assess price reasonableness were unreasonable, and that the agency's best-value tradeoff was unreasonable and inadequately documented. *Id.* We address these arguments in turn.

Price Reasonableness

The agency employed three different price analysis techniques to evaluate the reasonableness of the awardee's total price and average labor rates and concluded that each of those three analyses independently supported a finding that Tecolote's price was reasonable. See AR, exh. 5, Award Decision Document at 47. Specifically, the agency compared the awardee's labor rates to: (1) labor rates from the incumbent interim or "bridge" contracts;² (2) data from the CALC+ prices paid database; and (3) Bureau of Labor Statistics (BLS) labor rates. *Id.* The protester challenges the reasonableness of all three of the agency's analyses. Protest at 7-22.

The manner and depth of an agency's price analysis is a matter within the sound exercise of the agency's discretion, and we will not disturb such an analysis unless it lacks a reasonable basis. *Gentex Corp.--Western Operations*, B-291793 *et al.*, Mar 25, 2003, 2003 CPD ¶ 66 at 27-28. It is up to the agency to decide upon the appropriate method for evaluation of cost or price in a given procurement, although the agency must use an evaluation method that provides a basis for a reasonable assessment of the cost of performance under the competing proposals. *S. J. Thomas Co., Inc.*, B-283192,

¹ The task order is valued in excess of \$10 million, and, accordingly, this protest is within our jurisdiction to hear protests of task orders placed under civilian agency indefinite-delivery, indefinite-quantity (IDIQ) contracts. 41 U.S.C. § 4106(f)(1)(B).

² We note the "bridge contracts" at issue here are modifications to MCR Federal's and Tecolote's initially competitively procured incumbent orders. As to MCR Federal's order, the order had an initial period of performance of July 24, 2018, through February 1, 2024. The agency subsequently modified the order in accordance with the justification for an exception to fair opportunity provisions pursuant to FAR subsection 16.505(b)(1)(i) to add an additional 4-month base period, and three, 2-month option periods. See AR, exh. 8.1, Modification to MCR Federal's Order. Similarly, as to Tecolote's order, the agency subsequently modified the order pursuant to FAR subsection 16.505(b)(1)(i) to add a 9-month base period, and three, 1-month option periods. See AR, exh. 8.2, Modification to Tecolote's Order.

Oct. 20, 1999, 99-2 CPD ¶ 73 at 3. In reviewing a protest against the propriety of an evaluation, we will review an evaluation to ensure that it was reasonable and consistent with the evaluation criteria in the solicitation and applicable procurement statutes and regulations. *Decisive Analytics Corp.*, B-410950.2, B-410950.3, June 22, 2015, 2015 CPD ¶ 187 at 11.

As a general matter, when awarding a fixed-price contract, an agency is only required to determine whether the offered prices are fair and reasonable. Federal Acquisition Regulation (FAR) 15.402(a). An agency's concern in making a price reasonableness determination focuses on whether the offered prices are too high, rather than too low. *Vital Link, Inc.*, B-405123, Aug. 26, 2011, 2011 CPD ¶ 233 at 6. An agency may use various price analysis techniques and procedures to ensure a fair and reasonable price, including a comparison of historical prices paid. FAR 15.404-1(b)(2).

We first consider the protester's arguments challenging the agency's consideration of rates from the incumbent bridge contracts. For this portion of its analysis, the agency compared the proposed labor rates to those in the incumbent bridge contracts, which followed on from prior competitively awarded orders. COS at 1-2, 11-13. Prior to performing its rate comparisons, the agency made two principal adjustments to the data from the bridge contracts: (1) the agency removed labor hours related to tasks that would not be performed under the current procurement; and (2) adjusted the remaining rates for inflation to reflect that the current procurement contemplates performing tasks over the next several years. *Id.*

Here, the protester alleges that it was impermissible for the agency to compare Tecolote's proposed labor rates to the incumbent bridge contracts because the incumbent efforts substantively differ from the instant procurement in significant ways, primarily because they involve different labor mixes. Protester's Comments at 12-15. That is, the protester alleges that the incumbent bridge efforts use labor mixes that are, on average, significantly more senior than the labor mix contemplated under this procurement, and so represents an artificially inflated price that should have been adjusted to reflect the requirements actually solicited here. *Id.* (explaining, among other things, that incumbent efforts required on average 11.4 years of experience for positions, while the minimum requirements of the TOR only require, on average, 8.7 years of experience). The protester argues more generally that the agency's price reasonableness analysis reflects an undue focus on the reasonableness of Tecolote's labor rates for the qualifications it proposed for the positions, rather than on the labor rates that would be reasonable to hire staff with the minimum qualifications set by the solicitation. *Id.* More specifically, the protester alleges that the awardee proposed a more senior labor mix than the solicitation required, and the agency should have evaluated price reasonableness on the basis of the minimum qualifications it solicited, because the solicitation made clear that the agency would award no extra credit for exceeding minimum staff qualifications. *Id.* at 15.

Preliminarily, we note that, in its prior protest, the protester argued that the agency's reliance on an IGCE was unreasonable and urged the agency to use actual historical

rates from the incumbent contracts which were “very similar” and were “awarded to the same awardee, at the same campus, and even in the same building as this procurement.” B-422266.1 Protest at 11-12. However, now the protester argues that the agency was unreasonable in relying on incumbent rates as a basis for comparison, because those rates were for requirements that substantially differ from those solicited here. Protester’s Comments at 12-15. While the protester contends it never argued that the incumbent rates should be used without adjustment, the protester’s position on the similarity of the incumbent efforts to this procurement is, at minimum, inconsistent. However, even setting aside that the protester appears to have taken inconsistent positions between its prior and current protests, we see no basis to sustain the protest based on the agency’s use of the incumbent bridge contract rates as part of its price reasonableness analysis.

While the protester is correct that the qualifications and experience of the incumbent labor force is somewhat more senior than the minimum required labor qualifications included in the solicitation, this argument misses a key point about the structure of the solicitation. As the agency notes, the solicitation permitted offerors to exceed the solicitation’s minimum qualifications for staff; indeed, contrary to the protester’s assertion, it encouraged them to do so. Memorandum of Law (MOL) at 16-17. In this regard, while the protester is correct that the TOR included minimum qualifications and explained that offerors would receive no extra credit for exceeding those minimums, the TOR also included desired qualifications for a significant portion of positions. See, e.g., TOR at 197-205. For example, the TOR included desired qualifications for dozens of positions seeking more advanced degrees or more years of experience that significantly exceeded the minimum requirements. *Id.* For example, the TOR includes an entry level data analytics analyst position that only requires a relevant bachelor’s degree and no professional experience, but the TOR explains that both experience in data analytics and additional relevant certifications are desired qualifications for the position. *Id.* at 199. Similarly, the TOR includes several financial analyst positions that require a relevant bachelor’s degree and 10 years of relevant experience, but also notes that candidates with a master’s degrees are desired for those positions. *Id.* at 200. It would be irrational for the agency to establish desired qualifications exceeding its minimum requirements but not permit offerors to propose rates sufficient to recruit and retain staff meeting the higher desired qualifications.

Moreover, the incumbent bridge contracts, with the agency’s adjustments to labor hours and rates discussed above, are contracts for very similar services, performed in the same location, and for the same agency. The incumbent efforts, as adjusted by the agency, include extremely similar scopes of work. See COS at 12 (comparing the scopes of work under the incumbent contracts and the TOR). Accordingly, these contracts present a relevant source of information to support the agency’s price reasonableness assessment, as the protester itself argued in its original protest. See B-422266.1 Protest at 11-12. While the protester ultimately believes that additional adjustments to the incumbent rates were necessary, a price reasonableness determination is a matter of agency discretion involving the exercise of business judgement. *REEL COH Inc.*, B-418095, B-418095.2, Jan. 10, 2020, 2020 CPD ¶ 55

at 5. We see no basis to conclude that this portion of the agency's price evaluation was unreasonable in this regard.

Turning to the agency's CALC+ analysis, the agency compared labor rates to labor rates derived from GSA's CALC+ Prices Paid tool, which includes historical prices actually paid for the same labor codes under various multiple award IDIQ contracts, including the OASIS small business pool IDIQ used in this procurement. COS at 7; see also AR, exh. 7, Tab 1, CALC+ Screen Captures at 3-42 (showing numerous rates drawn from the OASIS small business pool). Specifically, the agency used the tool to create average rates and standard deviations based on historical labor rates, and then assessed proposed labor rates to determine whether they were within one standard deviation above the average of the CALC+ rates for each position. MOL at 13-15.

The protester alleges that the agency erred in numerous respects. First, the protester alleges that it is inappropriate to use CALC+ data for assessing price reasonableness citing, among other things, the user guide for the CALC+ tool. Protester's Comments at 7-12. Further, the protester alleges that, even if it were reasonable to rely on CALC+ data, the agency additionally erred by comparing offerors' labor rates to a benchmark one standard deviation higher than the CALC+ average, because the standard deviation does not bear any necessary relationship to prices actually paid. *Id.* That is, labor rates one standard deviation above the average are in some cases higher than any price that the CALC+ database shows the government actually paid. *Id.* Moreover, the protester notes that even assuming the analysis was correct and appropriate, Tecolote's labor rates for roughly 25 percent of the labor hours it proposed exceeded the standard deviation benchmark suggesting that Tecolote's prices were unreasonable even by the standards of the CALC+ tool. *Id.*

Preliminarily, the protester's suggestion that it is inappropriate to use the CALC+ prices paid tool as part of a price reasonableness analysis relies on a selective reading of the user guide. While the protester is correct that the user guide explains that “[r]elying solely or primarily on CALC+ for price reasonableness determinations is an improper use of the tool,” and that standard deviations should not be used as the sole basis for determining fair and reasonable pricing, the user guide also explains that the tool is intended to inform and support determinations of price reasonableness. AR, exh. 7, Tab 2, CALC+ Prices Paid Tool User Guide at 4. That is, the user guide is clear that agencies should not rely mechanically or solely on the tool to establish price reasonableness, but that using the tool to inform an agency's broader analysis of price reasonableness is one of the intended uses of the tool, which is precisely what the agency did in this case.

In this regard, our decisions have consistently concluded that standard deviation analyses and GSA's CALC tools can both be reasonably employed as part of a price analysis. See, e.g., *Spry Methods, Inc.; Castalia Systems, LLC*, B-421640.3, *et al.*, Apr. 17, 2024, 2024 CPD ¶ 107 (finding no basis to sustain the protest where agency price analysis used a GSA CALC+ tool and relied on standard deviations); *ManTech Advanced Systems Int'l, Inc.*, B-421560.4, Aug. 14, 2023, 2023 CPD ¶ 210 (denying

pre-award protest challenging solicitation terms indicating that agency would use GSA CALC+ tool as part of the price evaluation methodology); *NextGen Fed. Systems, LLC*, B-420456, *et al.*, Apr. 14, 2022, 2022 CPD ¶ 99 (denying allegation that agency's analysis was unreasonable because it relied on data from a predecessor GSA CALC tool); *U.S. Electrodynamics, Inc.*, B-414678, Aug. 1, 2017, 2017 CPD ¶ 252 at 6-7 (concluding that agency did not err in using a standard deviation methodology in conducting price reasonableness evaluation). This is not to suggest that such analyses are necessarily reasonable in all cases, but on the facts present here we see no reason to conclude that the agency's approach was unreasonable.

Here, the agency did not rely solely or mechanically on its standard deviation analysis, but rather used it as one of several methods to assess the reasonableness of prices. Specifically, the agency evaluated both the overall average rates each offeror proposed, as well as the average rates proposed by labor category. See AR, exh. 5, Award Decision Memorandum at 22-31. At the proposal level, Tecolote's average rates fell well within one standard deviation of the average of relevant historical rates from the CALC+ tool, but the protester notes that some of Tecolote's rates for individual labor categories exceeded one standard deviation above the average. *Id.* While the protester is correct that a portion of Tecolote's labor category rates exceeded the CALC+ standard deviation thresholds, that is also true of a portion of the protester's rates. For example, 19 of Tecolote's labor category rates exceeded the one standard deviation threshold, while at least 10 of OBX-MCR's rates exceeded that threshold. The fact that the agency did not mechanically reject both proposals on the basis of this single sub-component of the standard deviation analysis, but rather considered the CALC+ information in the context of other price analysis components and exercised independent business judgment is precisely what the CALC+ user guide recommends. We see no basis to question the agency's use of the CALC+ tool or its standard deviation analysis on these facts.

Next, the protester alleges that the agency erred in comparing the proposed rates to BLS rates because the agency computed a proposed wrap rate³ in an unreasonable manner. Protester's Comments at 6-7. Specifically, the protester notes that the record suggests that the agency inappropriately double or triple counted certain fringe benefit rates due to a misunderstanding of how the BLS rates were formatted. *Id.* However, our Office will not sustain a protest unless the protester demonstrates a reasonable possibility that it was competitively prejudiced by the agency's actions, that is, unless the protester demonstrates that, but for the agency's actions, it would have had a substantial chance of receiving the award. See *CW Constr. Servs. & Materials, Inc.*, B-279724, July 15, 1998, 98-2 CPD ¶ 20 at 8-9. Here, even assuming the protester is correct, we need not reach this argument because the agency reasonably relied on two other price analysis methods based on historical prices that we have discussed at length above. See AR, exh. 5, Award Decision Memorandum at 47 (explaining that

³ In this context, a wrap rate is a measure of a firm's indirect labor costs used to adjust BLS direct labor rates to make them comparable to the fully burdened labor rates included in each offeror's proposal.

each of the three analyses independently supports a finding of price reasonableness, and that, while the methods reached consistent results, the agency reached three separate findings of price reasonableness). Accordingly, even if we concluded that the protester was correct concerning the agency's BLS rate analysis, the protester could not establish competitive prejudice on these facts where Tecolote's rates were otherwise reasonably evaluated using other price analysis techniques.

Best-Value Tradeoff

Finally, the protester argues that the agency's best-value tradeoff was inadequately documented and unreasonable. Protester's Comments at 15-22. In this regard, the protester contends that the evaluation record was heavily redacted and, as produced, includes no substantive discussion of the advantages of Tecolote's proposal that merited paying an approximately \$51 million price premium. *Id.* Rather, the agency elected to redact all substantive discussion of Tecolote's strengths, and the produced award decision allegedly merely counts strengths and weaknesses and concludes that because Tecolote's proposal contained more strengths and fewer weaknesses it was worth a price premium. *Id.* The protester contends that this was impermissible. *Id.*

Source selection officials have broad discretion in determining the manner and extent to which they will make use of the technical and price evaluation results, and their judgments are governed only by the tests of rationality and consistency with the stated evaluation criteria. *Integrity Mgmt. Consulting, Inc.*, B-418776.5, June 22, 2021, 2021 CPD ¶ 245. When reviewing an agency's source selection decision, we examine the supporting record to determine if it was reasonable and consistent with the solicitation's evaluation criteria and applicable procurement statutes and regulations. *The SI Organization, Inc.*, B-410496, B-410496.2, Jan. 7, 2015, 2015 CPD ¶ 29 at 14.

While we agree with the protester that the agency's tradeoff decision, as furnished, is sufficiently redacted to preclude a meaningful review of the agency's underlying evaluation of Tecolote's proposal under the non-price factors, the record as provided is sufficient to support the reasonableness of the agency's tradeoff decision.⁴ Here, the

⁴ In this regard, the protester did not advance any legally or factually sufficient allegations challenging the agency's underlying evaluation of Tecolote's technical proposal or other non-price factors. Our Bid Protest Regulations do not contemplate that a protester will automatically obtain access to proprietary proposal materials or an agency's source selection sensitive evaluation materials; rather, the protester bears the burden of establishing that those materials are relevant to legally and factually sufficient protest grounds. See 4 C.F.R. § 21.3(d); *Talion Constr.*, B-422299.2, July 16, 2024, 2024 CPD ¶ 164 at 3 n.2 (“[O]ur bid protest procedures do not permit a protester to embark on a fishing expedition for protest grounds merely because it is dissatisfied with the agency's source selection decision.”).

However, we have cautioned that it is incumbent on an agency to submit an adequate record supporting the reasonableness of its evaluation and source selection decision,
(continued...)

award decision notes that Tecolote's proposal had 13 strengths (of which 6 were major strengths) and no weaknesses, while OBX-MCR's proposal had 7 minor strengths and 2 weaknesses. See AR, exh. 5, Award Decision Memorandum at 48. In this regard, the award decision explained that Tecolote's proposal demonstrated superior understanding of the requirements and offered superior services when compared to OBX-MCR's proposal, and that this significantly greater technical value merited paying a price premium. *Id.* at 55. More significantly, the award decision also includes substantive discussion of OBX-MCR's two weaknesses, explaining the basis for the weaknesses in detail and noting that they posed a "serious performance risk," and a "moderate" risk to contract performance respectively. *Id.* at 49-50.

OBX-MCR's weaknesses, and Tecolote's lack of weaknesses, were ultimately a key discriminator between the two proposals. In this regard, the tradeoff decision notes that the agency preferred Tecolote's proposal, in significant part, because it did not raise risks of unsuccessful performance, and OBX-MCR's lower price did not "make up for" OBX-MCR's weaknesses. *Id.* at 55. The agency also noted that OBX-MCR's weaknesses further increased the "wide margin" of Tecolote's technical superiority. *Id.* at 56.

Concluding that a technically superior proposal that poses significantly less risk is worth a price premium is unobjectionable and well within an agency's discretion. While more substantive detail concerning the nature of Tecolote's technical advantages would have further reinforced the reasonableness of the agency's evaluation, the evaluation as furnished provides an adequate basis to support the agency's best-value tradeoff decision.

The protest is denied.

Edda Emmanuelli Perez
General Counsel

and that where an agency fails to adequately document its evaluation, retain evaluation materials, or produce relevant materials in response to a protest, it bears the risk that there may not be an adequate supporting rationale in the record for our Office to conclude that the agency had a reasonable basis for the source selection decision. See, e.g., *Dept. of Commerce--Recon.*, B-417084.2, Mar. 21, 2019, 2019 CPD ¶ 112 at 2. Here, the protester only advanced arguments that the agency's award decision was unreasonable and did not adequately document the basis for the cost-technical tradeoff. As discussed herein, the redacted record demonstrated that the agency in fact conducted a reasonable tradeoff.