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DECISION

THE COMPTROLLER GENERAL
OF THE UNITED STATES
WASHINGTON, D.C. 20548

[Protest of Navy Contract Award]

FILE: B-197260 DATE: June 23, 1980

MATTER OF: Tracor Marine, Inc.

DIGEST:

1. While protester contends agency should have conducted more in-depth price analysis of awardee's lower projected costs, GAO finds adequate and rational analysis was conducted to determine reasonableness and realism of proposed costs including (1) disregard of possibly higher cost to reflect subcontracting, (2) labor rates, (3) "no charge" facilities, (4) cost reduction in best and final offer, and (5) buy-in.

2. Since it is impossible to predict amount of subcontracting necessary because of quick response time required and uncertainty as to whether contractor facilities will already be committed when task order is issued, it was reasonable for agency to evaluate cost proposals based on in-house rates quoted by offerors.

3. Determination of realism of proposed costs is matter for procuring agency discretion and where awardee's proposed cost of $1,431,000 is only $117,000 below next low offeror and $266,000 below protester and agency finds costs to be realistic, allegation of "buy-in" is denied.

4. Whether contractor fulfills contractual obligations at price offered is matter for contracting agency in administration of the contract and does not affect validity of award.

Tracor Marine, Inc. (Tracor), has protested the award of a contract to General Offshore Corporation (GOC) by the Naval Surface Weapons Center under solicitation No. N60921-79-R-0023.

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The solicitation is for ocean engineering and technical services in the Fort Lauderdale, Florida, area. After evaluation of the three proposals submitted, the following technical and cost rankings emerged:

	Technical (1010 possible)	Proposed Cost
GOC	977.3	$1,431,163
Tracor Marine	968.1	1,697,087
Mar, Inc.	943	1,547,840

Because of the closeness of the technical scores, the contracting officer determined that the offer of GOC presented the greatest value to the Government, and the contract was awarded to GOC.

The protest of Tracor relates to the adequacy of the cost or price analysis performed by the contracting activity in determining the realism of GOC's lower projected costs.

Tracor points out that this is an indefinite quantity, time and materials contract, and a contractor is reimbursed direct labor and equipment, facilities and ship charter at the fixed rates stated in the contract; however, materials and subcontract costs are reimbursed at cost plus general and administrative costs. With respect to subcontract costs, which Tracor states will be higher than the in-house fixed rates, the Navy did not require that offerors obtain firm estimates. Tracor argues that since the Navy's technical evaluation indicated that GOC does not have extensive in-house capabilities, GOC will have to subcontract substantially, whereas Tracor would only have to subcontract minimally. Since the Navy merely compared line item prices, it did not determine what costs would be reimbursed on a subcontract cost basis rather than the fixed in-house unit rates quoted. Tracor also states that the lack of an adequate analysis is shown by the Navy's accepting GOC's quoted rate for in-house craftsmen of $14 per hour where Tracor quoted $22 per hour, the prevailing rate in the South Florida area, and that this discrepancy should have caused the Navy to inquire more closely into GOC's rates.

The Navy states that it conducted a proper price analysis. In addition to comparing extended line item prices, historical cost data was used in reviewing the cost proposals. These historical data, which covered 3 years, were derived from the past performance of the contract by Tracor. The contracting officer also had the pricing proposals audited by the Defense Contract Audit Agency (DCAA) to evaluate the direct base labor, overhead and general and administrative rates used by the offerors.

As discussed in detail below, we find that the Navy performed an adquate price analysis to determine the reasonableness and realism of the proposed costs. While Tracor argues that the Navy should have performed a more in-depth analysis, we have recognized that the extent to which proposed costs will be examined is generally a matter for the agency's discretion. The determination of realism of proposed costs will not be objected to by our Office unless there is no rational basis for the determination. Applied Financial Analysis, Ltd., B-194388.2, August 10, 1979, 79-2 CPD 113.

Concerning the extent of GOC subcontracting, the Navy and GOC argue that Tracor has vastly overstated the dollar value of the subcontracting involved. GOC estimates subcontracting to entail substantially less than half of that claimed by Tracor. The Navy was convinced that GOC could perform the contract in an acceptable manner, whether utilizing in-house capabilities or subcontracting. While the Navy concedes that Tracor has more in-house capacity than GOC, the Navy argues that it is impossible to determine what items of performance would have to be subcontracted out because of the possibility of a contractor's in-house capability being committed to other work at the time a task order is issued. Since the work called for under the contract is quick response, the contractor may have to subcontract work even though the contractor is capable of performing itself. This circumstance would apply to any firm awarded the contract. Because of this factual situation, the rates quoted in an offeror's proposal were utilized in the comparison of costs. We find this to be a reasonable justification for the manner in which the price analysis was conducted.

While Tracor questions the low hourly rate for craftsmen proposed by GOC, we note that another technically acceptable offeror, Mar, Inc., quoted the same or lower hourly rates for the various types of in-house labor. The Navy has stated that one reason for the higher rates quoted by Tracor is that Tracor's indirect costs are higher because of its larger size organization. As there was another offeror, also a small business, which quoted rates comparable to GOC's and the DCAA reviewed GOC's price proposal and found the rates to be based on current experience, we find nothing improper in the acceptance by the Navy of GOC's rates.

Tracor contends that GOC's including "no charge" in its best and final offer for certain expensive facilities (warehousing, electronics laboratory, drafting, woodworking and electrical test and repair equipment) should have been investigated by the contracting officer. The Navy states that it did discuss the "no charge" items with GOC and found that the costs associated with providing these facilities (some of which GOC possesses) were built into GOC's overhead rate and included in the loaded labor rates. The facilities which GOC lacks (specialized electrical test equipment and woodworking such as modelmaking) would be leased to GOC by other firms but not shown as a direct cost to the Navy but would be part of GOC overhead expenses. Based on our review of the record, we find the Navy made an adequate investigation of the "no charge" offer to assure itself it was realistic.

Tracor argues that the Navy did not adequately analyze and investigate GOC's 20-percent reduction in cost in the best and final offer. Tracor states that this reduction, in an inflationary time, should have caused the contracting officer to investigate the realism of the proposed costs.

The best and final offers were submitted to the Navy's price analyst, who reviewed them in detail. Moreover, the Navy has advised that Tracor has overstated the amount of the reduction in GOC's proposal and that it was less than 10 percent, not the 20 percent alleged by Tracor. In a negotiated procurement, all offerors in the competitive range are free to revise their proposals, including price, in response to a request for best and final offers. We have recognized it is not uncommon for an offeror to withhold its lowest price until best and final offers. Fordel Films, Inc., B-186841, October 29, 1976, 76-2 CPD 370. We find no merit to this part of the protest.

Tracor states that the record supports the conclusion that GOC's offer is a buy-in because it is inconceivable that GOC can provide the services for the price offered. As mentioned above, the determination of the realism of proposed costs is a matter for the judgment of the procuring officials and will not be disturbed by our Office absent a showing of no rational basis. Here, GOC's proposed cost is only $117,000 below the next low offeror and $266,000 below Tracor's on a contract award of $1,431,000. We cannot say the Navy lacked a rational basis for finding GOC offered realistic prices.

Finally, Tracor has cited numerous delivery orders issued to GOC under the contract which it contends show that GOC has "bid one way and bills another" and that an award to Tracor would have resulted in a lower cost to the Government. The Navy denies the allegation. In any event, whether GOC fulfills its contract obligations at the price offered is a matter for the contracting agency in the administration of the contract and does not affect the validity of the award. Sylvester James & Sons Maintenance Service, Inc., B-196615, February 5, 1980, 80-1 CPD 92.

The protest is denied.

Milton J. Socolar

Acting Comptroller General
of the United States