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Decision

Matter of: Tactical Engineering & Analysis, Inc.

File: B-423731

Date: December 5, 2025

James Y. Boland, Esq., Lindsay M. Reed, Esq., and Patrick J. Brogan, Esq., Venable LLP, for the protester.
Brian A. Darst, Esq., Odin Feldman Pittleman P.C., for TMC² Technologies of West Virginia Corporation, the intervenor.
Candice A. Thomas, Esq., Department of the Navy, for the agency.
Raymond Richards, Esq., Janis R. Millete, Esq., and John Sorrenti, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Protest challenging cost realism analysis is denied where the evaluation was reasonable and consistent with the terms of the solicitation.
 2. Protest that the agency failed to conduct a proper best-value tradeoff is denied where the selection decision was reasonable and adequately documented.
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DECISION

Tactical Engineering & Analysis, Inc. (Tactical), a small business of San Diego, California, protests the issuance of a task order to TMC² Technologies of West Virginia Corporation (TMC), a small business of Fairmont, West Virginia, issued under request for proposals (RFP) No. N0017825R30090003 by the Department of the Navy for track management services. The protester challenges the Navy's cost realism evaluation and source selection decision.

We deny the protest.

BACKGROUND

This procurement involves naval track management systems. Agency Report (AR), Exh. 1, RFP at 11.¹ The RFP defines track management as the identification, tracking, and characterization of attributes of sensor data that feeds the combat or command and control system. *Id.* Track management is described as a key component of warfare systems relying on highly accurate position, navigation, and time services. *Id.* The RFP sought proposals for subject matter, systems engineering, software development, and test and evaluation expertise to facilitate, plan, execute, and deliver track management products. *Id.*

The Navy issued the RFP on November 18, 2024, under the fair opportunity procedures of Federal Acquisition Regulation (FAR) section 16.505, as a small business set-aside to holders of the Navy's SeaPort Next Generation (NxG) indefinite-delivery, indefinite-quantity (IDIQ) contract.² RFP at 4, 84; Combined Contracting Officer's Statement and Memorandum of Law (COS/MOL) at 2. The RFP contemplated the issuance of a cost-plus-fixed-fee and level-of-effort task order, issued on a best-value tradeoff basis considering the following evaluation factors: technical, past performance, and cost.³ RFP at 8, 84. The technical factor would be evaluated on a scale of: outstanding, good, acceptable, marginal, and unacceptable. *Id.* at 85. The past performance factor would be evaluated using the following confidence scale: substantial confidence, satisfactory confidence, neutral confidence, limited confidence, and no confidence. *Id.*

The RFP explained that the technical factor was more important than the past performance factor, and that when combined the technical and past performance factors were significantly more important than the cost factor. *Id.* at 84. The RFP further explained that the importance of the cost factor would "increase with the degree of equality of the proposals in relation to the non-cost factors . . . or when the evaluated cost [difference] between Offerors is so significant as to diminish the value of the superiority of the non-cost factors." *Id.*

Relevant to this protest, in evaluating cost realism, the solicitation stated:

¹ Unless otherwise noted, citations refer to the Adobe PDF page numbers of referenced documents.

² This requirement is a follow-on to SeaPort NxG task order No. N0017819F3013, performed by SimVentions, Inc., of Fredericksburg, Virginia. RFP at 2.

³ The technical factor included three subfactors; technical approach, management approach, and personnel approach. RFP at 84. The RFP also included a contract documentation evaluation factor, evaluated on a pass/fail basis. *Id.* at 86.

The Government will perform a cost realism analysis of the cost proposal. The Government will evaluate the proposed cost elements to determine whether they are realistic for the work to be performed; reflect a clear understanding of the requirements; and are consistent with the technical proposal.

* * * * *

The total evaluated cost is determined by upwardly adjusting proposed costs to reflect more realistic levels based on the cost realism substantiating data[.]

* * * * *

The Government will evaluate whether the proposed costs are unrealistically low and the Government will make upward adjustments to those proposed costs that it determines in its judgement to be unrealistically low.

RFP at 86.

The Navy received two proposals in response to the solicitation, one from Tactical and one from TMC. COS/MOL at 5. The evaluation results are as follows:⁴

	Tactical	TMC
Technical	Outstanding	Marginal
Past Performance	Satisfactory Confidence	Limited Confidence
Evaluated Cost	\$112,886,061	\$85,702,813

AR, Exh. 13, Source Selection Decision Document (SSDD) at 3, 7. In short, the source selection authority (SSA) found that TMC's proposal represented the best value to the government. COS/MOL at 5. The agency noted that although Tactical's proposal was rated much higher than, and provided technical advantages over, the awardee's proposal, the SSA found that those advantages were not worth the price premium associated with the protester's proposal. AR, Exh. 13, SSDD at 13. On July 9, 2025,

⁴ Relevant here, a technical rating of outstanding was defined as: "Proposal demonstrates an exceptional approach and understanding of the requirements and contains multiple strengths and/or at least one significant strength, and risk of unsuccessful performance is low." RFP at 85. In contrast, a technical rating of marginal was defined as: "Proposal has not demonstrated an adequate approach and understanding of the requirements, and/or risk of unsuccessful performance is high." *Id.*

A past performance rating of satisfactory was defined as: "Based on the Offeror's recent/relevant performance record, the Government has a reasonable expectation that the Offeror will successfully perform the required effort." *Id.* In contrast, a past performance rating of limited was defined as: Based on the Offeror's recent/relevant performance record, the Government has a low expectation that the Offeror will successfully perform the required effort." *Id.*

the Navy issued the task order to TMC. COS/MOL at 5. Tactical was provided with a debriefing which closed on July 11. Protest at 3. The instant protest was filed with our Office on July 18.⁵

DISCUSSION

Tactical challenges the procurement in two primary ways. First, the protester argues that the Navy's cost realism evaluation failed to account for the actual costs associated with the awardee's proposed technical approach, and that the agency should have applied additional upward adjustments to the awardee's total evaluated cost. Second, the protester argues that the Navy's source selection decision was contrary to the terms of the solicitation by failing to make award on a best-value tradeoff basis and, in effect, made award on a lowest-priced, technically acceptable (LPTA) basis. As discussed below, we deny the protest.

When an agency evaluates a proposal for the award of a cost-reimbursement contract or task order, the offeror's proposed costs are not dispositive because, regardless of the costs proposed, the government is bound to pay the contractor its actual and allowable costs. FAR 15.404-1(d), 16.505(b)(3); *QED Sys., LLC*, B-417090.2, B-417090.3, July 23, 2019, 2019 CPD ¶ 278 at 4; *Stargates, Inc.*, B-419349 *et al.*, Jan. 22, 2021, 2021 CPD ¶ 64 at 10-11. Consequently, the agency must perform a cost realism analysis to determine the extent to which the offeror's proposed costs are realistic for the work to be performed. FAR 15.404-1(d)(1); *QED Sys., LLC*, *supra*; see *Noridian Admin. Servs., LLC*, B-401068.13, Jan. 16, 2013, 2013 CPD ¶ 52 at 4. An agency's cost realism analysis requires the exercise of informed judgment, and we review an agency's judgment in this area only to see that the cost realism analysis was reasonably based and not arbitrary. *QED Sys., LLC*, *supra*.

In reviewing protests of the issuance of a task order, our Office will not reevaluate quotations or proposals but will examine the record to determine whether the evaluation and source selection decision were reasonable and consistent with the solicitation and applicable procurement law and regulation. *Ohio KePRO, Inc.*, B417836, B-417836.2, Nov. 18, 2019, 2019 CPD ¶ 47 at 4. While we will not substitute our judgment for that of the agency, we will question the agency's conclusions where they are inconsistent with the solicitation criteria, undocumented, or not reasonably based. *DRS ICAS, LLC*, B-401852.4, B-401852.5, Sept. 8, 2010, 2010 CPD ¶ 261 at 5.

In a best-value tradeoff procurement, such as this one, it is the function of the SSA to perform a tradeoff to determine whether one proposal's technical superiority is worth a higher cost. *QED Sys., LLC*, *supra* at 10-11; *Exelis Sys. Corp.*, B-407673 *et al.*,

⁵ The value of the issued task order exceeds \$35 million. Accordingly, the instant protest is within our jurisdiction to hear protests related to the issuance of orders under IDIQ contracts awarded under the authority of title 10 of the United States Code. 10 U.S.C. § 3406(f)(1)(B).

Jan. 22, 2013, 2013 CPD ¶ 54 at 8; *General Dynamics–Ordnance & Tactical Sys.*, B-401658, B-401658.2, Oct. 26, 2009, 2009 CPD ¶ 217 at 8. Even where cost is the least important evaluation factor, an agency properly may select a lower-cost, lower-rated proposal if the agency reasonably concludes that the cost premium involved in selecting a higher-rated, higher-cost proposal is not justified in light of the acceptable level of technical competence available at a lower cost. *Exelis Sys. Corp.*, *supra*. The extent of such tradeoffs is governed only by the test of rationality and consistency with the evaluation criteria. *Id.* Thus, a protester's disagreement with an agency's determinations as to the relative merits of competing proposals or disagreement with its judgment as to which proposal offers the best value to the agency does not establish that the evaluation or source selection was unreasonable. *Id.*

Cost Realism

Tactical argues that the Navy's cost realism evaluation of TMC's proposal was unreasonable for failing to consider the most probable cost of TMC's technical approach. Protest at 24-27; Comments at 17. According to Tactical, TMC's technical approach will be more expensive than proposed and the Navy failed to account for the likelihood of higher costs. Comments at 17-20. The protester asserts that had the Navy conducted a proper cost realism analysis, it would have made additional upward adjustments to TMC's evaluated cost which would have resulted in a best-value tradeoff decision in Tactical's favor. *Id.* at 21.

In response, the agency argues that the awardee's costs were properly considered and adjusted--that the record demonstrates that the cost realism analysis was reasonable and consistent with the solicitation. COS/MOL at 6. For example, in instances where the agency determined proposed rates for TMC were "unrealistically low and unsupported," the agency upwardly adjusted costs to a more probable cost for those cost elements. *Id.* at 9. The agency explains that its cost realism analysis reasonably assessed the likely costs under TMC's proposed cost and technical approaches. *Id.* at 8. The agency asserts that the protester has not demonstrated that the agency failed to conduct a cost realism analysis, rather, the protester disagrees with the agency's ultimate conclusions about whether TMC's approach is realistic and feasible for the "work to be performed." *Id.* at 10.

At the heart of this challenge is Tactical's assertion that TMC is proposing an incumbent capture approach at below-market labor rates. See Comments at 17 ("upon award, TMC intends to recruit and retain incumbent staff"). Tactical acknowledges that TMC's proposal did not propose named incumbent personnel. Comments at 18. However, the protester alleges that TMC's technical proposal "promised to hire 'some or all' of the incumbent staff." *Id.* at 20. For example, Tactical highlights the following language from TMC's technical proposal:

Our Organizational structure and corporate “people first” mindset provide[] a basis for sourcing and hiring incumbent staff and new personnel quickly. We have experience with successful execution of incumbent capture within Navy programs and well as other agencies.

* * * * *

We collaborate closely with the Government and incumbent staff to identify retention needs and recognize the value of retaining some or all incumbent personnel.

* * * * *

To engage incumbents, our [Human Resources] Director will organize introductions to Team TMC and facilitate interviews for those interested in joining.

Id. at 17-18 (citing AR, Exh. 8, TMC Technical Proposal at 87-90).

Having alleged that TMC proposed a technical approach heavily reliant on incumbent personnel, the protester attacks TMC’s proposed labor rates as too low to retain incumbent personnel.⁶ Comments at 20. The protester asserts that the cost report failed to assess whether TMC’s proposed costs “reflected an understanding of the requirements or were consistent with TMC’s technical proposal.” *Id.*

While the protester focuses its argument on TMC’s inability to hire incumbent personnel as evidence that TMC’s cost proposal is inconsistent with its technical approach, Tactical has not demonstrated that the agency failed to conduct a reasonable cost realism analysis--only that the protester disagrees with the agency’s ultimate conclusions. An agency’s cost realism analysis requires the exercise of informed judgment, and we review an agency’s judgment only to see that the cost realism analysis was reasonably based and not arbitrary. *See QED Sys., LLC, supra.* at 4.

In its cost evaluation, the agency noted that TMC proposed a total of [DELETED] employees, comprised of [DELETED] individuals presently employed, [DELETED] contingent hires, and [DELETED] pending hires. AR, Exh. 12, Cost Report at 10. For the contingent hires, TMC provided signed letters identifying the proposed salary for each person. *Id.* at 12-13. Neither the presently employed nor the contingent hires included any incumbent contractor personnel. Although TMC included [DELETED] pending hires, nothing in the cost proposal indicated TMC promised to fill these

⁶ The protester’s basis for challenging TMC’s proposed labor rates as too low stems from data in the Economic Research Institute database, and actual incumbent salaries which Tactical states it has access to because [DELETED], the incumbent, is one of Tactical’s proposed subcontractors. Protest at 25-26; Comments at 17-19.

positions with incumbent personnel.

The record demonstrates that the agency thoroughly reviewed costs by documenting its evaluation of direct and indirect labor rates of proposed named employees, contingent hires, and unnamed pending hires. See *id.* at 9; 23-41; COS/MOL at 7-8. The agency verified direct labor rates for the named employees using current labor rates provided in payroll documentation. AR, Exh. 12, Cost Report at 4. As noted above, the direct labor rates for the contingent hires were verified using the rates included in the contingent hire letters. *Id.*

For the unnamed pending hires, the agency calculated the average rates of the awardee's current payroll employees within corresponding labor categories to compare those rates to the proposed rates for the pending hires. *Id.* at 12. The agency found that the proposed rates fell below the average corresponding rates for the payroll employees and therefore applied an upward adjustment to TMC's unnamed pending hires direct labor rates based on this payroll data. *Id.* at 12-13; COS/MOL at 8.

On this record, we find that the agency conducted a proper cost realism analysis and provided upward adjustments to the offeror's costs found to be unrealistic. COS/MOL at 9. While the protester alleges that TMC "promised" to hire incumbent personnel based on statements such as "[o]ur Organizational structure and corporate 'people first' mindset provide[] a basis for sourcing and hiring incumbent staff and new personnel quickly"; and "[w]e have experience with successful execution of incumbent capture," we conclude that the protester mischaracterizes TMC's hiring approach.⁷ See AR, Exh. 8, TMC Technical Proposal at 87. TMC's proposal instead included general incumbent recruitment strategies but did not commit to hiring incumbent personnel. Moreover, even if TMC attempted to fill the [DELETED] unnamed pending hires with incumbent personnel, the agency's evaluation did not credit TMC with hiring incumbent employees. In short, Tactical's claim that the agency failed to assess the awardee's proposed reliance on incumbent hires is not supported by the record. Accordingly, this allegation is without merit and denied.

Source Selection Decision

The protester also challenges the agency's source selection decision as unreasonable. As shown above, the Navy issued the task order to TMC, the firm offering the lowest technically rated, lowest-cost proposal. AR, Exh. 13, SSDD at 1, 3, 7. Tactical argues that the agency's source selection decision was contrary to the terms of the solicitation

⁷ In this regard, as noted above, Tactical contends that TMC "promised to hire 'some or all' of the incumbent staff." Comments at 20. However, the actual quote from TMC's proposal was "we collaborate closely with the Government and incumbent staff to identify retention needs and recognize the value of retaining some or all incumbent personnel." AR, Exh. 8, TMC Technical Proposal at 87. This is hardly a promise, much less a commitment to hiring incumbent staff.

because the solicitation announced an evaluation scheme with technical and past performance as more important than cost, and the record shows that the Navy made award based on the lowest technically rated, lowest-cost proposal. Protest at 19-24; Comments at 7-15. In other words, Tactical argues that the Navy improperly elevated the importance of cost and in effect converted the procurement from a best-value tradeoff to an LPTA procurement.

The agency defends its source selection decision as reasonable. COS/MOL at 11-17. In short, the agency responds that it was fully aware of the merits of the competing proposals and that the SSA conducted a reasonable tradeoff analysis in accordance with the terms of the solicitation. *Id.* at 16-17. The Navy recognizes the significant disparity in technical merit offered by Tactical and TMC, and maintains that Tactical's highly rated proposal was not worth the associated cost premium. *Id.* at 11.

As discussed below, we find no basis to sustain this protest ground. The solicitation was issued under the procedures of FAR section 16.505 and established that a task order would be issued on a best-value tradeoff basis considering technical, past performance, and cost. RFP at 84. The solicitation defined "best-value" as "the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement." *Id.* The solicitation established that:

If one Offeror has the better technical capability and a higher total evaluated cost, the Government will decide whether the difference in technical capability is worth the difference in price. If it is determined that the difference in technical capability is worth the difference in price, then the more capable, higher-priced Offeror will be the better value. If not, then the less capable, lower-priced Offeror will be the better value.

Id.

In discussing the relative importance of the evaluation factors, the solicitation stated that the technical factor was more important than the past performance factor, and that when combined, the technical and past performance factors were significantly more important than the cost factor. *Id.* The solicitation further explained that the "degree of importance of [the cost factor] will increase when . . . the evaluated cost [difference] between Offerors is so significant as to diminish the value of the superiority of the non-cost factors." *Id.*

In making the best-value tradeoff decision, the SSA reviewed and accepted the underlying technical and cost evaluations of the competing proposals and compared the adjectival ratings and the underlying assessment of strengths and weaknesses assessed to the proposals. AR, Exh. 13, SSDD at 2-3. The SSA then provided summaries of the technical and past performance evaluations.

In summarizing the technical evaluation of TMC's proposal, the SSA noted that TMC would operate as a prime contractor and utilize [DELETED] subcontractor. *Id.* at 4. Under the technical approach element, the SSA noted that TMC's proposal was assessed with a weakness for failing to provide specific responses to "the unique technical requirements[.]" *Id.* Under the management approach element, the SSA noted that TMC's proposal was assessed with a weakness for failing to provide enough detail and that the failure to provide detail "could allow for gaps as the incumbent transitions out." *Id.* Under the personnel requirements element, the SSA noted that TMC's proposal was assessed with two weaknesses and one significant weakness. These negative marks involved TMC's proposal of individuals with less experience than desired. *Id.* The SSA found that the "lack of experience can lead to risks in unsuccessful performance." *Id.*

In comparison, the SSA noted that Tactical would operate as a prime contractor utilizing [DELETED] subcontractors. *Id.* at 5. Under the technical approach element, the SSA noted that Tactical's proposal was assessed with one significant strength and two strengths. *Id.* The significant strength was assessed for Tactical's "tailored approach to meet the needs of each work area and by providing a proposed workforce comprised of incumbent staff who have a proved track record of success." *Id.* Under the management approach element, the SSA noted that Tactical's proposal was assessed with a significant strength for its "clear, detailed, and sound transition plan" and its discussion of "methods to manage the loss of personnel." *Id.* Under the personnel requirements element, the SSA noted that Tactical's proposal was assessed with two significant strengths and one strength. *Id.* at 5-6. One significant strength was assessed for proposing a team of "over [DELETED] of the incumbent contractors" and for demonstrating "specialized experience for every [statement of work (SOW)] section." *Id.*

For the past performance factor, the SSA noted that TMC earned an overall confidence rating of limited based on four past performance references. *Id.* at 4-5. The SSA determined that based on TMC's "limited relevant Past Performance records[.]" a higher degree of confidence could not be assessed. *Id.* The SSA further noted that TMC's past performance references included work where "the complexity was not the same, the cost was significantly lower, and the contract type was Time and Material." *Id.* at 5. In contrast, the SSA noted that Tactical earned an overall confidence rating of satisfactory based on five past performance references. *Id.* at 6. Further, the SSA noted that one of Tactical subcontractor's contributed very relevant past performance references. Based on the past performance evaluation, the SSA found that TMC provided a low expectation of successful performance, whereas Tactical provided a reasonable expectation of successful performance. *Id.* at 5-6.

Following the summaries of the technical and past performance evaluations, the SSA directly compared the competing proposals. *Id.* at 9-12. Under the technical approach element, the SSA concluded that Tactical's proposal exceeded the requirements by "providing program-specific approaches to proposed tasking and offered unique approaches in certain work areas." *Id.* at 9. In contrast, the SSA found that TMC's

proposal “generally addressed the underlying requirements and lacked a level of specificity.” *Id.* The SSA found that TMC may need “time in the seat” to learn the infrastructure and workflows which could result in scheduling and performance risk, whereas Tactical “would likely offer a smoother technical transition.” *Id.*

Under the management approach element, the SSA found that Tactical’s proposal “provided a detailed [DELETED] plan that TMC’s was lacking.” *Id.* at 10. The SSA found that Tactical’s proposed transition approach minimized risk, while TMC’s proposed transition approach presented higher risk. *Id.*

Under the personnel requirements element, the SSA found that Tactical’s proposal demonstrated experience in each SOW area and included a significant number of incumbent personnel, ultimately resulting in a “considerable advantage” and reduced risk. *Id.* at 11. In contrast, the SSA found TMC’s proposal included resumes that did not demonstrate experience in each SOW area, lacked desired qualifications, and increased performance risk. *Id.* at 11.

In the best-value summary, the SSA ultimately found TMC’s proposal to represent the best value. *Id.* at 13. The SSA found that while Tactical’s proposal presented exceptional features and lower risk than TMC’s proposal, it came at a high cost premium. *Id.* The SSA noted the solicitation’s evaluation scheme which established that the importance of the cost factor would increase where, like here, the cost difference between proposals was significant. *Id.* The SSA determined that the technical advantages offered by Tactical’s proposal were not worth the associated cost premium. *Id.* In conclusion, the SSA stated that the “lower priced, lower rated proposal from TMC, including its associated risks, represents a better value to the Government as the premium associated with the higher rated proposal is not justifiable.” *Id.* The SSA further explained that “[a]s contemplated by the Solicitation, the degree of importance of [the cost factor] in the overall decision of the competing proposals increases here when the evaluated cost delta between TMC’s and TEA’s cost proposals is so significant that it diminishes the value of the superiority of the non-cost factors.” *Id.*

On this record, we find unobjectionable the SSA’s best-value tradeoff and source selection decision. As detailed above, the SSA went through each evaluation element and assessed the merits of both proposals. AR, Exh. 13, SSDD at 4-8. The record firmly demonstrates that the SSA looked beyond the adjectival ratings and assessment of strengths and weaknesses and discussed how, in her judgment, the competing proposals would affect performance of the requirement.

The record further demonstrates that the SSA exercised her judgment in considering the effect of cost in the best-value assessment. *See id.* at 13. In weighing cost, the SSA found Tactical’s “technically superior” proposal to come with a 31 percent cost premium--about \$27 million. *Id.* The SSA concluded that while Tactical’s proposal “presented exceptional features and lower risk than TMC’s,” it was not worth the “associated [cost] premium” as there was another award-eligible proposal available at a much lower cost. *Id.*

Here, the SSA's conclusion is well-documented and consistent with the terms of the solicitation. The solicitation advised prospective offerors that a low technically rated, low-cost proposal could be found as the best-value offer. RFP at 84. The RFP also advised prospective offerors that the value of technical superiority could be diminished where a large disparity in cost was present. *Id.* The SSA--fully acknowledging the RFP's evaluation scheme--found that here, the evaluated cost difference between the competing proposals was so significant that the value of Tactical's technical superiority was diminished. See AR, Exh. 13, SSDD at 13. The SSA also concluded that because Tactical's higher-rated proposal was not worth its high cost, TMC's proposal represented the best value to the government. AR, Exh. 13, SSDD at 13. Given that the SSA's tradeoff decision considered the relevant information in a manner that was consistent with the terms of the solicitation, we have no basis to find it unreasonable or otherwise improper. It is not our role to second-guess the agency's conclusion or substitute our own judgment even where we might have reached a different conclusion. *Mil-Mar Century Corp.*, B-407644, *et. al.* Jan. 17, 2023, 2013 CPD ¶ 39 at 9.

On this record, we find that Tactical's challenge amounts to disagreement with the agency's judgement which is not a basis to sustain the protest. Accordingly, this protest ground is denied. *Exelis Sys. Corp.*, *supra* at 9 (denying protest challenging agency decision to select for award the lower technically rated, lower cost proposal).

The protest is denied.

Edda Emmanuelli Perez
General Counsel