



# Decision

**Matter of:** Phoenix International Holdings, Inc.

**File:** B-424348.2

**Date:** August 21, 2026

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GAO, participated in the preparation of the decision.

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## DIGEST

Protest that agency improperly extended a previously awarded contract for submarine operations and maintenance services to bridge the period until the agency can conduct a competitive procurement for follow-on services is denied where the record shows that the agency reasonably concluded that the incumbent contractor was the only firm capable of meeting the agency's interim need for the services.

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## DECISION

Phoenix International Holdings, Inc., a small business of Largo, Maryland, protests the issuance of a contract modification to Oceaneering International, Inc., Oceaneering Technologies (OII-OTECH), of Hanover, Maryland, by the Department of the Navy, Naval Sea Systems Command (NAVSEA) for submarine rescue operations maintenance. The protester contends that the agency unreasonably found the incumbent contractor to be the only responsible source capable of meeting the agency's immediate requirements.

We deny the protest.

## BACKGROUND

The NAVSEA's Undersea Special Missions Systems Program Office (PMS 390) manages and oversees the support of the Navy's domestic and international submarine rescue program. Contracting Officer's Statement (COS) at 1. This work includes the operation and maintenance of submarine rescue systems and assets to perform rescue operations worldwide. *Id.* The Submarine Rescue Diving Recompression System (SRDRS) is the Navy's submarine rescue system. Agency Report (AR), exh. 2, OII-

OTECH 2020 Contract at 19. The SRDRS is composed of two systems: the Assessment/Underwater Work System; and the Submarine Rescue System (SRS). *Id.* The Navy's SRS is composed of subsystems and other critical ancillary support equipment. *Id.* The agency contracts for operation and maintenance support of the SRDRS and critical ancillary support equipment with a Submarine Rescue Operations Maintenance Contractor (SROMC). *Id.*

In September 2020, the agency awarded OII-OTECH with a contract to become NAVSEA's SROMC following a competitive procurement. AR, exh. 3, Justification and Approval (J&A) at 2. As the SROMC, OII-OTECH is responsible for maintaining all systems in a constant high state of readiness, providing appropriate and sufficient personnel and services necessary for engineering, management, technical and logistic support, mobilization, deployment, operation, storage, and repair and maintenance of the rescue systems on a 24-hour-per-day, 7-day-a week basis. AR, exh. 2, OII-OTECH 2020 Contract at 19. The period of performance of OII-OTECH's contract was scheduled to end on June 30, 2026. COS at 2; AR, exh. 3, J&A at 1.

As relevant to the protest, government and non-government entities, also referred to as "activities," are required to undergo a qualification process under NAVSEA Instruction (NAVSEAINST) 4855.34C to be authorized to perform support operations and maintenance of submarine rescue systems. AR, exh. 5, NAVSEAINST 4855.34C at 1. NAVSEAINST 4855.34C qualifies activities in three different categories, which includes Deep Submergence Systems Scope of Certification (DSS-SOC).<sup>1</sup> *Id.* Certification work on submarine rescue assets supporting the submarine rescue systems fall under DSS-SOC. AR, exh. 4, NAVSEA P9290 at 43. NAVSEA NOTICE 5000 (NAVSEANOTE 5000) identifies qualified activities authorized to perform DSS-SOC work, and specifically, work on submarine rescue assets. AR, exh. 6, NAVSEANOTE 5000 at 1. OII-OTECH is listed as a qualified activity authorized to perform DSS-SOC work under NAVSEANOTE 5000. *Id.* at 11.

On March 11, 2026, the agency posted a special notice to SAM.gov (System for Award Management), stating its intention to use other than full and open competition to award a contract modification to OII-OTECH.<sup>2</sup> AR, exh. 7, Special Notice at 1. The proposed

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<sup>1</sup> As NAVSEA explains, the scope of certification of a deep submergence system "is comprised of those systems, subsystems and components and the associated maintenance and operational procedures required to provide maximum reasonable assurance that Deep Submergence System personnel are not imperiled during system operations." AR, exh. 4, NAVSEA P9290 at 43. The two other categories of qualified activities are Submarine Safety and Fly-By-Wire Ship Control Systems. AR, exh. 5, NAVSEAINST 4855.34C at 1.

<sup>2</sup> SAM.gov is the current governmentwide point of entry (GPE) which serves as the single point where government business opportunities greater than \$25,000, including synopses of proposed contract actions, solicitations, and associated information, can be  
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contract modification would extend the period of performance under OII-OTECH's NAVSEA SROMC contract by 18 months. *Id.* Under the modification, OII-OTECH is to continue maintaining certification of the submarine rescue systems and rescue operations worldwide. Additionally, OII-OTECH is to assist the Navy in the transition of the SRS from a military standard to a new commercial classification and classing program by the end of 2027 as directed by the Office of the Chief of Naval Operations.<sup>3</sup> *Id.* at 1-2; AR, exh. 15, 2025 Classification Memo at 1. As stated by the Navy, the purpose of the classification change is to reduce the “overly burdensome requirements impacting system operational availability[ ]” AR, exh. 15, 2025 Classification Memo at 1. Under the commercial classification, the Navy anticipates that future follow-on contracts for SROMC services will not require NAVSEANOTE 5000 certification. AR, exh. 3, J&A at 3. As stated in the special notice, the agency determined that OII-OTECH was the only responsible source “with the requisite certifications, knowledge, and expertise” capable of meeting the agency’s requirements within the required 18-month time frame without causing an unacceptable risk of delay. AR, exh. 7, Special Notice at 2.

On March 25, 2026, the protester submitted a capability statement to the contracting officer.<sup>4</sup> AR, exh. 8, Phoenix Capability Statement at 1. On April 10, the protester responded to the agency’s clarification questions with further information on the protester’s capabilities. AR, exh. 10, Phoenix Clarification Response at 1. On May 21, the agency informed the protester that it was not found to be capable of fulfilling the agency’s requirements without unacceptable potential delays for three reasons. AR, exh. 11, May 21 Letter at 1. First, the protester was not listed in NAVSEANOTE 5000 as qualified to perform DSS-SOC work related to submarine rescue assets. *Id.* at 2. The agency required responsible sources to be NAVSEANOTE 5000-certified upon contract award and for the entire duration of the 18-month extension. *Id.* Second, the protester did not sufficiently demonstrate that it had the capability to obtain qualified personnel to support the operations and maintenance of the SRS throughout the 18-month period. *Id.* at 3. The agency also determined that it would not be in the government’s best interest to incur additional expenses to qualify a new SROMC to perform DSS-SOC work because the NAVSEANOTE 5000 qualification requirements are to be eliminated in the future with the SRS’s transition to a commercial classification

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accessed electronically by the public. Federal Acquisition Regulation (FAR) 2.101; *Excelsior Ambulance Serv., Inc.*, B-421948, Sept. 27, 2023, at 2 n.1.

<sup>3</sup> The current contract requires NAVSEA SS800-AG-MAN-010/P-9290 certification procedures and standards. AR, exh. 2, OII-OTECH 2020 Contract at 39.

<sup>4</sup> On March 23, 2026, Phoenix filed a protest with our Office challenging the agency’s notice of intent to make a sole source award. *Phoenix International Holdings, Inc.*, B-424348.1, Apr. 7, 2026 (unpublished decision). Because the protester subsequently submitted a capability statement that was still under consideration by the agency, we dismissed the protest as premature on April 7, 2026. *Id.*

classing program. *Id.* at 4. On the same date, the NAVSEA director of contracts executed a justification and approval (J&A) approving the award of a modification to OII-OTTECH using other than full and open competition. COS at 3; AR, exh. 3, J&A at 1. The J&A explained that OII-OTTECH was the only SROMC qualified to perform work on submarine rescue assets throughout the ensuing 18-month period. AR, exh. 3, J&A at 2. On June 1, 2026, Phoenix filed this protest with our Office.

## DISCUSSION

Phoenix's primary contention is that the agency's determination that OII-OTTECH is the only responsible source is unreasonable and that the agency's justification for departing from full-and-open competition is improper. In particular, the protester argues that its capability statement demonstrated the protester's ability to meet the agency's SROMC requirements without undue time delay or significant cost to the government. Comments at 3. Based upon our review of the record, we find that the agency provided a reasonable justification for the sole-source award to OII-OTTECH as the only responsible source able to meet the agency's requirements.<sup>5</sup>

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<sup>5</sup> The protester raises other collateral arguments. While this decision does not specifically address all of the protester's arguments, we have reviewed all of the submitted arguments and find that none provide a basis on which to sustain the protest. As one example, the protester contends that the scope of the agency's modification exceeds the scope of the original contract and, thus, violates the requirement for full and open competition. Comments at 1. The protester specifically highlights the modification's additional funding, extension of the period of performance, and incorporation of new tasks. *Id.* at 1-2.

Once a contract is awarded, our Office generally will not consider protests against modifications to that contract, because such matters are related to contract administration and are beyond the scope of our bid protest function. 31 U.S.C. § 3552 (2006); 4 C.F.R. § 21.5(a); *DOR Biodefense, Inc.; Emergent BioSolutions*, B-296358.3, B-296358.4, Jan. 31, 2006, at 6. An exception to this general rule is where, as here, a protester alleges that a contract modification is beyond the scope of the original contract, because, absent a valid sole-source determination, the work covered by the modification would be subject to the statutory requirements for competition. *Lasmer Indus., Inc.*, B-400866.2 *et al.*, Mar. 30, 2009, at 6.

As explained herein, our Office finds the agency determination that OII-OTTECH is the only responsible source for its SROMC requirement, and its execution of a J&A in that regard, to be reasonable. Because we find the J&A to be valid and reasonably issued, we need not decide whether the services requested within the special notice exceed the scope of the original RFP (request for proposal). 10 U.S.C. § 2304(c)(1); see *WorldWide Language Res., Inc.*, B-299315.7, B-299315.8, Aug. 12, 2010, at 7 ("[W]e do not need to decide the question of whether the modification is within the scope of [the incumbent's] contract because, even assuming that it was not, the agency properly supported the modification with a reasonably based J&A under 10 U.S.C.

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The Competition in Contracting Act (CICA) requires agencies to obtain full and open competition in their procurements through the use of competitive procedures. 10 U.S.C. § 3204(a)(1)(A). However, CICA permits an exception to the use of competitive procedures where the supplies or services required by an agency are available from only one responsible source, and no other type of supplies or services will satisfy agency requirements. See 10 U.S.C. § 3204(c)(1); Revolutionary FAR Overhaul (RFO) 6.103-1(b).<sup>6</sup> As relevant here, for purposes of applying this exception, CICA and the FAR provide that in the case of a follow-on contract for the continued development or production of a major system or highly specialized equipment, or the continued provision of highly specialized services, such property or services may be deemed to be available only from the original source. See 10 U.S.C. § 3204(d); FAR 6.103-1(c)(2). Thus, when it is likely that award to a source other than the original source would result in either substantial duplication of costs, or unacceptable delays in fulfilling the agency's needs, an agency may procure such products and services through other than competitive procedures. *Id.*

When using noncompetitive procedures pursuant to 10 U.S.C. § 3204(c)(1), such as here, agencies must execute a written J&A with sufficient facts and rationale to support the use of the cited authority. 10 U.S.C. § 3204(f)(1)(A), (B); FAR 6.103(d). Our review of an agency's decision to conduct a sole-source procurement focuses on the adequacy of the rationale and conclusions set forth in the J&A; where a J&A sets forth a reasonable basis for the agency's actions, we will not object to the award. *FN Am., LLC*, B-415261, B-415261.2, Dec. 12, 2017, at 5.

The protester's challenge to the agency's sole-source determination centers on the agency's consideration of Phoenix's capability statement. Phoenix argues that the agency's requirement that offerors be NAVSEANOTE 5000 certified upon contract award is unreasonable and unduly restrictive of competition. Protest at 10; Comments at 4. The protester also argues that the agency's findings regarding the protester's ability to obtain qualified personnel to similarly be unreasonable. Comments at 9.

With respect to the protester's NAVSEANOTE 5000 qualifications, the agency found the protester is not currently NAVSEANOTE 5000 certified to perform DSS-SOC work. AR,

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§ [3204(c)(1)].); see also *Leupold Stevens Inc.*, B-417796, Oct. 30, 2019, at 10 (recommending agency option of executing a J&A to proceed with a contract modification that our Office found to be beyond the scope of the incumbent contract).

<sup>6</sup> We note that although the J&A was issued pursuant to the RFO section 6.103-1, the parties have not alleged nor established that any distinctions between the prior (FAR 6.302-1(a)(2)) and the RFO versions of FAR part 6 affect the analysis of the agency's actions in this procurement. Therefore, we consider instructive our prior decisions interpreting the requirements of the previous version of FAR part 6.

exh. 11, May 21 Letter at 2. The protester does not contest that it is not currently NAVSEANOTE 5000 certified or that such certification is unnecessary to perform work under the contract. Instead, the protester argues that the requirement to be certified upon contract award is unreasonable because the protester can achieve provisional qualification after contract award without unreasonable delay or extra cost to the agency. Comments at 4. Specifically, the protester contends that it could attain provisional qualification within a 60-day transition period after award while it applies for full qualification, which the protester expects to achieve within 12 months after contract award.<sup>7</sup> *Id.* at 8-9. The protester argues that the agency's decision to not allow for a transition period or for offerors to attain and perform with only provisional qualification improperly benefits the incumbent, OII-OTTECH. Protest at 14; Comments at 4.

The agency counters that its determination regarding the protester's NAVSEANOTE 5000 status was reasonable. In particular, the agency contends that the work to be performed under the modification is critical and mission essential and it was, therefore, reasonable for the agency to determine that a 60-day transition/ramp-up period to attain provisional qualification presented significant risk. MOL at 6. Moreover, to fully qualify the protester, the agency would be required to expend considerable time, commitment, and costs to sponsor the protester through the NAVSEANOTE 5000 qualification process. *Id.* at 9. Because the agency plans to transition future contracts to a commercial classification standard that would not require NAVSEANOTE 5000 certification, the agency argues that it was reasonable for the agency to conclude that the sponsorship process would be unnecessarily costly and burdensome. *Id.* 9-10.

The principal assistant program manager within PMS390 further explains that under the OII-OTTECH's current contract, the SROMC is required to maintain "certification and operational readiness of the [SRS] system to ensure maximum reasonable assurance that Deep Submergence System personnel are not imperiled during system operations." AR, exh. 18, Principal Asst. Program Manager Declaration at 1. To execute these critical maintenance and operations, an SROMC is required to be NAVSEANOTE 5000 certified. As the agency explains, recent circumstances have made certification and operational readiness of the SRS system critical to the Navy's goal to support Navy submariners in the event of a distressed submarine event (DISSUB). MOL at 6. In 2021, NAVSEA suspended the certification status of the SRS system after it was discovered that the system suffered from material condition issues. AR, exh. 14, SRS Suspension at 1, 3. The SRS system was not recertified until March 23, 2026, after the

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<sup>7</sup> The agency contests the protester's 12-month estimate to attain full qualification. Specifically, the agency argues that the incumbent, OII-OTTECH, required 18 months to become fully qualified, and that the protester should expect for its own qualification timetable to be similar. Memorandum of Law (MOL) at 5. As discussed further herein, we need not resolve the parties' conflicting proposed timetables for obtaining full certification because we conclude that the agency reasonably determined that only OII-OTTECH could fulfill the agency's immediate requirements without unacceptable risk of delay in obtaining the necessary certification.

system underwent extensive corrective actions and restoration. AR, exh. 18, Principal Asst. Program Manager Declaration at 2. During the four-year suspension of the SRS system, the Navy relied on the North Atlantic Treaty Organization Submarine Rescue System (NSRS) to provide rescue support to Navy submarines. *Id.* Now that the SRS system is recertified, the NSRS is scheduled to undergo a maintenance overhaul period of six months or longer, depending on the extent of repairs required. *Id.* Therefore, the Navy's SRS will be the "only worldwide deployable rescue system with decompression capability to support the Navy and international partners in the catastrophic event of a DISSUB." *Id.* Thus, it is critical and mission essential that an SROMC be NAVSEANOTE 5000 certified so that it may maintain the Navy's SRS's certification. To the extent the protester would require a 60-day transition period, the agency contends that the transition would cause unnecessary delay, especially in light of maintenance operations that are scheduled to occur later this year. AR, exh. 11, May 21 Letter at 3.

Additionally, as explained above, the agency is in the process of transitioning its SRS from a military classification to a commercial classification. The transition is expected to be complete by the end of calendar year 2027. AR, exh. 15, 2025 Classification Memo at 1. With this in mind, the agency anticipates its next competitively awarded contract for a SROMC will not require NAVSEANOTE 5000 certification. AR, exh. 11, May 21 Letter at 4. The extension of OII-OTECH's current SROMC contract ensures no break in service as the agency transitions to a commercial classification.

Based on the record before us, we have no reason to find that the agency acted unreasonably in concluding that the protester cannot meet the agency's interim needs. In this regard, the record shows that the Navy has a reasonable need for ensuring the current contractor satisfy and continuously maintain applicable certification requirements in order to provide critical services in support of sensitive military operations implicating matters of national defense and human safety. The record shows that Phoenix would require at least a 60-day transition period in order to obtain provisional certification and at least 12 months to acquire full NAVSEANOTE 5000 certification during a period when maintenance operations of the SRS are most critical and mission essential. We find no basis to object to the agency's determination that OII-OTECH, the only entity with the current requisite certification, is the only reasonable source currently capable of satisfying the government's existing needs.<sup>8</sup> *Cf. Alliant*

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<sup>8</sup> To the extent the protester argues that the terms of the sole source award favor the incumbent, we note that our Office has consistently found that a competitive advantage of an incumbent contractor, which was gained by virtue of that contractor's performing the incumbent contract, is not an unfair or improper competitive advantage, and an agency is not required to attempt to equalize competition to compensate for that advantage unless there is evidence of preferential treatment or other improper action. *Assured Performance Sys. Inc.*, B-418233.2, Mar. 10, 2020, at 5; *D&G Support Servs., LLC*, B-419245, B-419245.3, Jan. 6, 2021, at 6. Here, the protester does not allege, nor do we find in the record, evidence of either preferential treatment or other improper

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*Techsystems, Inc.*, B-410036, Oct. 14, 2014, at 6 (“[W]here, as here, a requirement relates to national defense or human safety, an agency has the discretion to define solicitation requirements to achieve not just reasonable results, but the highest possible reliability and/or effectiveness.”).

Furthermore, we find it reasonable for the agency to determine that it is not in the government’s best interests to expend considerable time and costs to certify the protester when the agency plans to eliminate the need for NAVSEANOTE 5000 certification in its next competitively awarded SROMC contract. In this regard, the agency explains that as part of the transition to a commercial classification program, the applicable commercial classification authority, the Commercial Classification Society, American Bureau of Shipping, requires the SRS to maintain NAVSEA certification while observing SRS component inspections as part of the transition. AR, exh. 18, Principal Asst. Program Manager Declaration at 2-3. While the NAVSEA certification must be maintained during the transition to the commercial classification program, it will not be required once the transition is completed. Thus, we find reasonable the agency’s determination that it is burdensome and unreasonably duplicative to incur the costs and potential associated schedule delays in sponsoring another contractor’s NAVSEA certification.

Phoenix next contends that its capability statement demonstrated the protester’s ability to field a team of qualified support personnel and that the agency’s conclusion otherwise is unreasonable. In response, the agency asserts that the conclusions reached by the agency evaluators were reasonable and in accordance with the agency’s requirements. In this regard, the agency requested that the protester provide “a detailed mobilization plan to include 1) a staffing plan by employee name, position, company name (if not currently employed by Phoenix), and current qualifications. . . .” AR, exh. 9, Agency Email Follow Up at 1. The agency contends that the protester’s staffing plan presented a significant and unacceptable risk of potential schedule delay. AR, exh. 11, May 21 Letter at 2. As explained below we find the agency reasonably evaluated the protester’s mobilization and staffing plans.

With respect to the protester’s plan to bring in sufficient qualified personnel, the agency found the protester’s capability statement to present significant risk of disruption with a focus on the protester’s plan to acquire personnel after contract award. First, the agency found that only 25 percent of the key personnel critical for the successful execution of the SROMC requirements were currently employed by Phoenix. *Id.* at 3. Additionally, the protester failed to provide the names of employees or companies that would have allowed the agency to better understand how the protester planned to fill its positions. *Id.* Phoenix argues that its capability statement includes a 60-day transition framework that describes the protester’s plan to leverage its prior experience as the

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action in favor of OII-OTECH. Accordingly, we find no basis to conclude that the agency’s rationale for the sole-source award is unreasonable on this basis.

SROMC to interview and offer positions to incumbent personnel. Comments at 9. However, the agency found that the success of Phoenix's staffing and mobilization plan crucially relied on Phoenix's ability to recruit incumbent personnel with the necessary operational qualifications. In fact, the protester's capability statement acknowledges the risk of incumbent personnel with operational qualifications declining to join Phoenix. AR, exh. 10, Phoenix Follow Up Response at 25. Where, as here, the agency's need for a SROMC is mission essential, the agency found the protester's plan presented too significant a risk of undue delay. The agency found this especially to be true regarding the personnel assigned to watch stations.<sup>9</sup> AR, exh. 11, May 21 Letter at 4. Due to the unique nature of the Navy's SRS system, watch station personnel can only become qualified to operate the Navy's SRS while deployed at sea on a vessel of opportunity (VOO). AR, exh. 18, Principal Asst. Program Manager Declaration at 2. There is no VOO available for deployment of the SRS to support the training to qualify new personnel until March 2027. *Id.* In response, the protester argues that publicly available information suggests that suitable vessels are available for charter at this time, but fails to substantiate its allegation with credible evidence. See Comments at 9-10.

As explained above, SROMC services are mission-essential and critical because of recent circumstances. The risk of the protester not retaining personnel with required qualifications seriously inhibits the protester's ability to successfully complete the agency's requirements. Moreover, the agency estimates that it would take 3-6 months or longer to qualify new personnel. AR, exh. 11, May 21 Letter at 3. In the event that new personnel would need to be trained, the Navy could be without SROMC services during potential DISSUB events. On that basis, we find the agency's determination regarding the protester's qualified personnel to be reasonable.

In sum, as discussed in detail above, the record demonstrates that the agency had a reasonable basis for concluding that only OII-OTECH could meet its immediate requirements. We therefore conclude that the agency reasonably determined that a sole-source award to OII-OTECH would be appropriate under the circumstances.

The protest is denied.

Edda Emmanuelli Perez  
General Counsel

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<sup>9</sup> Watch station personnel must be able to be recalled to Undersea Rescue Command within 24 hours of notification of a DISSUB event and are required to execute maintenance and sustainment of the Navy's SRS in accordance with NAVSEA P-9290. AR, exh. 18, Principal Asst. Program Manager Declaration at 2. Watch stations are operated 24 hours a day. *Id.*