




UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

September 9, 2015

MEMORANDUM FOR: PATRICK MCFARLAND
Inspector General

FROM: BETH F. COBERT 
Acting Director

SUBJECT: Response to Interim Status Report on OPM's Responses to the
Flash Audit Alert - U.S. Office of Personnel Management's
Infrastructure Improvement Project (Report No. 4A-CI-00-15-055)

Thank you for the Interim Status Report that you provided to my office on September 3, 2015. As I have previously indicated, I greatly value your input and take seriously all concerns and recommendations made by your office. As you know, OPM is presently engaged in an aggressive effort to modernize our IT infrastructure and further strengthen our security capabilities, a project that was of compelling importance prior to the recent security events, but which is even more critical now. As you correctly point out, it is precisely because this project is of such importance to OPM's mission that it must be managed in a disciplined manner to facilitate its successful completion.

As I described in my memo to you of August 3, 2015, we are committed to working closely with your office to collectively deliver on OPM's mission. Toward that end, we have instituted biweekly meetings between you and me, weekly meetings between our senior staffs, and monthly meetings between your IT team and the Office of the Chief Information Officer (OCIO). This is in addition to the biweekly meetings for the Infrastructure Improvement Project that have been ongoing since 2014, which members of your team regularly attend, as well as other meetings and communications as needed. I believe these in-person interactions provide a useful and productive way for your office to surface and promptly convey any concerns you may have as they arise, so that we can respond to them quickly, effectively, and cooperatively. These types of meetings provide a forum for fulsome discussion and interaction that will help avoid any misunderstandings and facilitate the type of open exchange—both with your office and with our interagency partners—that will allow us to benefit from the wide range of invaluable expertise and input that we are receiving from experts all across the government.

Your Recommendation 1, which you first articulated in your June 17, 2015 Flash Audit Alert, relates principally to concerns about the adequacy and rigor of OPM's business planning with respect to the Infrastructure Improvement Project. As stated in my memo of August 3, 2015, we agree that recent events and developments warranted a review and update of our plan, including our goals, milestones, near-term deliverables, funds required, and outputs expected. In response

to your recommendations, and as we explained in the August 3 memo, OCIO agreed to update project documentation and submit a current business plan in September, and welcomed your input in that process, which I understand will be discussed at the next monthly OCIO-OIG meeting.

As OCIO worked to update the business plan, we determined that the best course was to submit the plan to the Office of Management and Budget (OMB) as a new Major IT Business Case (formerly known as OMB Exhibit 300), in line with your Recommendation 1. Under the urgent circumstances present when this project was initiated, there was, as previously indicated, insufficient time to submit the type of business case contemplated by OMB Exhibit 300. Now that we have addressed the most immediate challenges and had additional time to articulate the remaining requirements in more detail, OCIO is preparing to submit the Major IT Business Case to OMB as part of the FY 2017 budget process. Although OPM has been working closely with OMB throughout the development of the Project, we agree that there are benefits to preparing a Major IT Business Case, including heightened transparency as well as the value of these established project management processes. As previously noted, the plan will incorporate an agile methodology that is iterative in nature, and that allows us to continue to adapt to evolving needs, circumstances, and technologies.

I understand the OCIO will be briefing your office on the status of and approach to key issues in the Major IT Business Case as well as other project planning and budgeting issues in the monthly meeting that is currently scheduled for September 10, and we will continue to brief you on the further development of our business plans at our regular meetings. We look forward to receiving your contemporaneous feedback so that we may promptly address and incorporate it as we move ahead, to ensure that any recommendations can be implemented quickly and before plans are finalized and therefore harder to change.

Your Recommendation 2 relates to OPM's ongoing use of a sole-source contract in connection with aspects of the work on the Infrastructure Improvement Project. As you noted in your June 17, 2015 Flash Audit Alert, recent security breaches at OPM warranted a thorough and immediate reaction to secure the existing IT environment, and you agreed that a sole-source contract was appropriate and justified under the Federal Acquisition Regulations (FAR) due to this unusual and compelling urgency. (FAR § 6.302-2). This unusual and compelling urgency was based, at least in part, on the national security need to secure our IT environment, and the requirement could not be competed due to extreme urgency. Your Recommendation 2 did, however, raise concerns about the justification for continuing to utilize this contract in connection with later phases of the project, referred to as Migration and Clean-Up.

We agree that full and open competition is the best practice when circumstances permit it. In our Supplemental Response of September 3, 2015, we attempted to clarify the limited nature of the work to be performed under the sole-source contract in connection with these later phases, which will principally consist of providing preparation and support. That continued but limited role will

assist OPM in addressing the ongoing urgency to transition to a new, more secure environment, which this contractor can facilitate based on the expertise and knowledge it developed during the design and implementation of the new environment. For the bulk of the work in the later phases, including modernizing business applications and disposing of decommissioned equipment, OPM intends to meet its needs through other acquisition strategies or through existing OPM processes, as appropriate.

In your Interim Status Update, you recommend that OPM not utilize the existing contract for even this limited work in connection with the later phases of the Project. The existing contract is structured as a one-year contract with a six-month option, followed by an additional one-year option. The Department of Homeland Security (DHS), which served as the contracting office for this contract,¹ exercised the first option on June 15, 2015, so that the contractor could continue its urgent and compelling work on the Project, including work on the Shell that is not yet complete. That option period expires on December 15, 2015.

Although generally sole-source contracts that are necessitated by an unusual and compelling urgency may not exceed one year, the FAR contains an exception to this one-year limitation when the “head of the agency determines that exceptional circumstances apply.” (FAR § 6.302-2(d)(1)(ii)). DHS has informed us that it obtained the necessary approval to issue a contract of more than one year to ensure that all phases of the work are completed.²

OPM, together with DHS, will continue to evaluate all options as we move forward with the Project, assisted by the business case and other planning documents referenced above. As you correctly note, many challenges remain, including the need to further enhance security in some systems. We believe that the best solution to solve the urgent and compelling security needs that still face OPM is to efficiently and successfully migrate outdated applications into the new environment as soon as possible. However, as we do so, we appreciate and will remain mindful of how we can secure our environment while also delivering the best value to the taxpayer. As noted in my August 3, 2015 memo, we welcome any further suggestions you may have, including thoughts for how best to leverage the expertise of the Council of the Inspectors General on Integrity & Efficiency Information Technology Committee, regarding information technology “best practices and current capabilities.”

I look forward to continuing to work with your staff as we begin to implement the later phases of the Project.

¹ This contract was an assisted acquisition under the Economy Act, 31 U.S.C. § 1535, with DHS serving as the servicing agency. See FAR § 17.503(d)(3).

² The approval contained in the Pre-Business Clearance Memorandum covered the 12-month contract and the first six-month option. To the extent DHS and OPM decide to exercise the additional option in connection with the contract, DHS and OPM will determine whether additional documentation is necessary under the FAR.