



The Director

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

October 22, 2015

MEMORANDUM FOR PATRICK E. MCFARLAND
INSPECTOR GENERAL

FROM: BETH F. COBERT
ACTING DIRECTOR

A handwritten signature in blue ink, appearing to read "Beth F. Covert", written over the printed name.

Subject: Preliminary Response to Management Alert - FSAFEDS Benefits
Program Contract

Thank you for your recent Management Alert, dated October 14, 2015, regarding your concerns related to OPM's procurement process for the FSAFEDS benefits program. Specifically, your office has reiterated your concern about the duration of time that OPM has utilized its current contractor to manage the FSAFEDS program, a voluntary tax-advantaged benefit plan that allows federal employees to use pre-tax income to pay for certain eligible out-of-pocket health care and dependent care expenses, without re-competing the contract. Please know that the management and staff from Healthcare and Insurance and the Office of Procurement Operations (OPO) take the issues raised in your Alert very seriously, and are working to provide a full and detailed response as soon as possible. However, I wanted to take this opportunity to provide additional information regarding our current efforts to award a new FSAFEDS contract, as well share with you some of the broader steps that OPM is taking to better align its contracting functions with best practices.

OPM's OPO fully agrees that it is important to submit the FSAFEDS contract to competition and has been working to award a new contract. As you noted, a competitive Request for Proposals was issued on December 22, 2014, and proposals were received on February 13, 2015. It is my understanding that after completing an initial evaluation of the proposals, the Contracting Officer and the Contracting Review Board (CRB) determined that significant revisions to the evaluation documentation were required. These revisions are important and necessary, but also unfortunately contributed to the delays in the procurement. At this time, the OPO anticipates being able to make a contract award in early 2016.

I appreciate and share your concerns about the number of times the FSAFEDS contract has been extended, as well as the fact that the current procurement process has not proceeded as quickly as OPO had hoped or expected. As you know, the OPO has been engaged in an agency review of the structure of procurement functions across OPM, including utilizing a consultant to perform an independent assessment of our program, as well as working with your office in connection with the ongoing OIG Contract Management Audit. During the past year, OPM has also undertaken a number of efforts to strengthen its procurement process, including creating the CRB, which is comprised of senior-level officials and helps ensure stronger, high-level

oversight of all significant procurements, including the FSAFEDS procurement. All of these processes are intended to help OPM to deliver the best services for our federal customers and the best value for the taxpayer.

To help ensure that OPM stays focused on this mission, I have asked OPO to update you on the status of the procurement for FSAFEDS on a bi-weekly basis, and also to report to me on a bi-weekly basis regarding the progress in achieving the remaining procurement activities and milestones leading to this award, as well as other major benefits contracts highlighted in your Alert.

I hope this preliminary response is helpful to your office as we work to complete a more thorough analysis of your specific recommendations. Please be assured that management and staff from Healthcare and Insurance as well as the OPO take these issues very seriously and are collaborating to review and analyze your recommendations, and will respond directly in greater detail in the Management Challenges response we are presently preparing and intend to provide to your office later this fall. We look forward to continuing our partnership with OIG to make our benefits and procurement programs stronger.