

**Determination and Findings
for
Sole Source Procurement**

Agency: Department of Human Resources (DCHR)
Solicitation Number: DCBE-2014-R-0481
Caption: Administration of the Flexible Spending Account
Contractor: PayFlex Systems USA, Inc.

Findings

1. Authorization:

27 DCMR §1702.2 and DC Official Code §2-2-354.05 (a) (1)

2. Minimum Need:

The Government of the District of Columbia, herein referred to as “the District”, Office of Contracting and Procurement (OCP), on behalf of the Department of Human Resources (DCHR), seeks to engage the services of a Contractor, PayFlex Systems USA, Inc., to administer a flexible spending program for approximately 27,000 District employees, in accordance with IRS code sections 124,129, 213 and 609 as well as Internal Revenue Service (IRS) publications 502 and 503.

3. Estimated Cost:

The estimated contract value is \$130,000.00 for the period of January 1, 2015 through September 30, 2015.

4. Facts Which Justify a Sole Source Contract:

The Contractor must have experience in delivering a flexible spending account program, which includes a health care reimbursement account and a dependent care reimbursement account program to a local government with a total population of 30,000 employees.

The program is a pre-tax benefits program that allows eligible employees to pay for out-of-pocket health care or dependent care expenses and reduce their taxable income. The major administrative requirements of the program include the processing of health and dependent care expenses, reimbursements of claims, and communicating the Program’s benefits to the District employees. The Contractor must also have knowledge of the District’s current integration with benefits carriers from the flat file interface upload.

Currently, PayFlex Systems USA, Inc., services 3,482 District employees. However, the number may increase up to 27,000 employees whom are eligible during the District’s open enrollment period, as well as, those who are hired on an on-going basis throughout the year. The current system integration for the processing of eligibility files and

electronic fund transfers (EFT) was uniquely designed to facilitate the needs of the Districts' current Human Resources Information Systems (HRIS) which is currently undergoing a complete overhaul as the partner systems are being upgraded and transitioned.

Several District agencies, including the Office of Pay and Retirement Services (OPRS) and the Office of the Chief Technology Officer (OCTO) are in the middle of the process of several projects which preclude the District from integrating its systems with new Contractors at this time. The District is currently in the process of finishing numerous HRIS processes such as a new Applicant Tracking System, Compensation and Classification Reform, and an update to the current HRIS--PeopleSoft. All the systems mentioned above rely on each other for intake, payroll, tracking and maintenance of several other human resource related tasks.

The District requires the services of PayFlex Systems USA, Inc., throughout the upgrades and transitioning processes in order to ensure that District employee benefits are paid timely and to ensure that as open season begins in early November there will not be any problems with the structural and functional framework required to successfully enroll new participants and maintain existing participants without interruption of these crucial services.

The employees of the District of Columbia would be without services throughout open season and into 2016 without the services of PayFlex Systems USA, Inc., if the current services are interrupted. If the District were to award a new Contractor at this time there would be an interruption in the benefits paid to enrolled District employees due to current functional capabilities of the District's HRIS system required to bring in a new Contractor during the integration of our current flat line interface upload process.

By late FY15, DCHR and the OCTO will work to upgrade the HRIS to include web service base integration that will enable request/response operations. This will enable the District to seamlessly integrate new benefits vendors into the HRIS system. Until that time, the potential of a new Contractor for the flexible spending program will not be a feasible option due to the constraints of the current HRIS, the Office of the Chief Technology Officer and the Office of Pay and Retirement Services integration, upgrades, and overhaul.

A sole source award to PayFlex Systems USA, Inc., at this time will also ensure that the District government remains in compliance with IRS regulations which require the District to carry out a pre-tax program throughout the entire year. An interruption in services will adversely affect an individual's W-2 forms and the amount of federal and District taxes a District employee may deduct and/or owe the IRS.

Based on the information presented above, it is in the best interest of the District to award a sole source contract to PayFlex Systems USA, Inc., to ensure that District employees continue to receive the benefits that they rely on to get to work on a daily basis and are

entitled to receive without interruption while specifications are developed by OCTO for a new HRIS system.

5. Certification by the Agency Director

I hereby certify that the above findings are correct and complete.

Shawn Y. Stokes
Director
Department of Human Resources
District of Columbia Government

Date

6. Certification by the Contracting Officer

I have review the above finding and certify that the findings are sufficient to justify a sole source method of procurement under 27 DCMR §1702.2. I certify that the notice of intent to award a sole source contract to PayFlex Systems USA, Inc., was published in accordance with §404 of the District of Columbia Procurement Practice Reform Act of 2010 (D. C. Official Code 2-354.04). I recommend that the Chief Procurement Officer approve the sole source contract.

Yvette Henry
Contracting Officer, DCHR
Office of Contracting and Procurement
District of Columbia Government

Date

DETERMINATION

Based on the above findings and in accordance with the cited authority, I hereby determine that it is not feasible or practical to invoke the competitive solicitation process under §402 or 403 of the District of Columbia Procurement Practice Reform Act of 2010 (D.C. Law 18-371); D. C. Official Code §2-354.02 or 2-354.03). Accordingly, I determine that the District is justified in using the sole source method of procurement.

James D. Staton, Jr.
Chief Procurement Officer
Office of Contracting and Procurement
District of Columbia Government

Date