



September 26, 2022

MEMORANDUM FOR: CHRISTOPHER J. GODFREY
Director of Workers' Compensation
Programs

A handwritten signature in cursive script that reads "Carolyn R. Hantz".

FROM: CAROLYN R. HANTZ
Assistant Inspector General
for Audit

SUBJECT: **Alert Memorandum:** The Office of Workers'
Compensation Programs' Workers' Compensation
Medical Bill Process System Data Were of
Undetermined Reliability
Report Number: 23-22-002-04-001

The purpose of this memorandum is to alert you to a concern the Office of Inspector General (OIG) has determined needs your action. Due to insufficient internal controls ensuring the reliability of the Office of Workers' Compensation Programs' (OWCP) medical bill processing data and audit limitations, we were unable to test the data, which required us to conclude that OWCP's medical bill processing data were of undetermined reliability. The Government Accountability Office's (GAO) guidance for assessing data reliability states:

When the audit team's review of the information collected, and any data testing, raises questions about the data's reliability that cannot be resolved, or when too little information is available to judge the reliability of the data, the audit team may conclude that the data are of undetermined reliability.¹

Our audit began on April 13, 2021, and, based on the conditions we identified and the action plans provided by OWCP, we ended fieldwork on November 23, 2021. OWCP processes and controls for the Workers' Compensation Medical Bill Process (WCMBP) system and other medical bill processes were found insufficient to provide assurance that the collection,

¹ GAO-20-283G, Assessing Data Reliability (December 2019)

processing, and reporting of medical bill processing data was reliable for our testing. Moreover, we experienced audit limitations in our efforts to understand the medical bill processing service.

In fiscal year (FY) 2021 alone, OWCP paid approximately \$1.9 billion in medical benefits for three OWCP programs:

- The Energy Employees Occupational Illness Compensation (Energy) program, under the Energy Employees Occupational Illness Compensation Act, is administered by the Division of Energy Employees Occupational Illness Compensation.
- The Coal Mine Workers' Compensation (Black Lung) program, under the Black Lung Benefits Act, is administered by the Division of Coal Mine Workers' Compensation.
- The Federal Employees' Compensation (FECA) program, under the Federal Employees' Compensation Act, is administered by the Division of Federal Employees', Longshore and Harbor Workers' Compensation.

Reliable and accurate medical bill processing information is crucial for OWCP and its claimants in the Energy, Black Lung, and FECA programs when making medical decisions, providing claim services, tracking injury claims, and working to return claimants back to work. Inaccurate data from insufficient OWCP processes and controls may result in the untimely or denial of medical treatment, causing harm to claimants and their dependents. Additionally, insufficient management and oversight and unreliable data could increase risks of fraud including overpayments, over-treatment, or billing code errors.

In our audit of OWCP's WCMBP system, our objective was to determine to what extent do OWCP's processes (manual and automated) and controls result in the sufficient management of the collection, processing, and reporting of accurate medical bill processing data. OWCP has a contract to provide medical bill processing services, which includes operating and maintaining the WCMBP system in accordance with OWCP's significant system requirements. As WCMBP does not work in isolation, our audit included medical bill processing data that is also received, processed, or reported with other OWCP systems: Integrated Federal Employees' Compensation System (iFECS), Automated Support Package, and Energy Compensation System.²

We initiated the audit by gaining an understanding of the systems, processes, and procedures required to provide medical bill processing services. This included identifying and documenting our understanding of OWCP's and the

² The Energy Compensation System is identified as a component of the OWCP Worker's Compensation System.

contractor's processes, procedures, and documentation in collecting, processing, sharing, and transmitting related data. We worked with OWCP management to confirm our understanding of the medical bill processes and to identify related internal controls for further testing. We requested evidence and documentation for our testing of the effectiveness of those controls.

We ended the audit when it became apparent OWCP lacked sufficient internal controls to ensure the reliability of the data. Specifically, OWCP was unable to timely provide documentation of its internal controls and processes ensuring the reliability of its medical bill processing data. Using GAO's guidance on determining data reliability, we made the determination that OWCP's medical bill processing data were of undetermined reliability.³

The following sections further describe the lack of internal controls and audit limitations that led to our conclusion that the data are of undetermined reliability.

Lack of Internal Controls

Our audit identified three areas that lacked internal controls as defined in GAO internal control standards⁴ (Green Book): (1) medical bill processing service oversight, (2) FECA's biweekly data set processing, and (3) the program integrity unit (PIU). We requested evaluation documentation of OWCP's policies and procedures used to ensure the reliability of its data. Our requests included contract documentation, contractor's policy and procedures, OWCP processes and procedures for sharing data with interconnected systems, data verification and validation, and management and oversight of the contractor.

The lack of internal controls limits management's ability to ensure systems and processes are operating as designed and intended. When ensuring data reliability, fully implemented and documented internal controls are critical for oversight and monitoring of the WCMBP system performance and related medical bill processing data.

Medical Bill Processing Service Oversight

We identified OWCP's oversight processes and controls were not sufficient to ensure the reliability of its medical bill processing data. OWCP's oversight relied upon the results of the contractor's quality assurance testing and reporting

³ GAO-20-283G, Accessing Data Reliability (December 2019) provides three possible determinations about data that can be made and reported: (1) data are sufficiently reliable for the audit's purpose, (2) data are not sufficiently reliable for the audit's purpose, or (3) data are of undetermined reliability.

⁴ GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014), states, "OV1.03 - Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources."

activities. OWCP stated they performed extensive testing separately and independently from the contractor. However, in reviewing the documentation OWCP provided, including the WCMBP Government Acceptance Testing Plan, we found its testing relied heavily on the contractor and was not independent. Specifically, the documentation showed the contractor created the test cases, set up the test environment, and developed the test data and test accounts; OWCP did not perform its own independent verification and validation testing during the migration, implementation, and operation phases of the medical bill processing service. As a best practice, having systems and services undergo independent validation and verification provides assurance that the information provided is of quality and can be relied upon in making decisions and managing the effort. OWCP did not perform its own independent validation and verification. Soon after going into production, OWCP identified significant issues demonstrating the contractor-led quality testing was not an effective control.

Also, OWCP did not have independent quality assurance testing performed as the Department of Labor (DOL) had relied on the previous contract's determination that the current contract and effort was a service contract and not an information technology contract. As a service, OWCP was not required to involve the Chief Information Officer or utilize DOL's System Development Life Cycle (SDLC) Management Manual in transitioning from the previous contractor and implementing the new service. OWCP used the contractor's SDLC, including its government acceptance testing. Using the contractor's SDLC may create an independence issue.

We reviewed OWCP's management of the quality control over its data, including government acceptance testing, system-generated reports, and migration documentation. We found OWCP management did not design the internal controls to effectively oversee the contractor system and ensure data reliability. In our assessment of internal controls, we reviewed the WCMBP contract between the contractor and OWCP,⁵ system design and implementation plans, contractor functional specification documents, contractor deliverables, and OWCP's policies and procedures.

We determined many of OWCP's specific oversight controls remained undocumented or were insufficiently documented. The internal control designs did not provide specific means for oversight, review, or monitoring of quality information to achieve the agency's objective to manage medical bill processing data. OWCP's policies and procedures did not include documentation of the organizational structure, assign responsibilities, or delegate authorities. OWCP relied on the individual programs to document the roles and responsibilities, leaving each individual program to provide oversight. The documentation provided was not sufficient because some of it was in draft status.

⁵ Contract No. DOL-OPS-16-C-0022

Further evidence of OWCP’s lack of internal controls is recorded in the communication of issues exchanged with the contractor shortly after the WCMBP system went into production on April 27, 2020. OWCP experienced multiple issues with the contractor, which were documented through the communication of issues and other communications identified in Table 1.

Table 1: Communication of Issues Exchanged by OWCP and the Contractor

Date	Communication
April 27, 2020	WCMBP went into production with active processing
May 6, 2020	Initial notification of issues via email (OWCP to the contractor)
May 15, 2020	First OWCP communication of issues to the contractor
June 2, 2021	Second OWCP communication of issues to the contractor
July 16, 2021	The contractor’s action plan sent to OWCP in response to the June 2, 2021, communication of issues (included three exhibits as attachments)
September 24, 2021	OWCP’s response to the contractor’s action plan

Source: DOL Office of the Senior Procurement Executive

OWCP stated the communication of issues demonstrates its oversight and immediate action to address contractor performance problems that had not surfaced during our audit. Nonetheless, OWCP also identified evidence of insufficient testing and significant issues with documentation and reporting errors, including an on-going issue with the contractor’s system-generated reports provided to OWCP. The communication of issues further demonstrated that documentation of internal controls remained incomplete or unimplemented.

OWCP sent the initial communication email to the contractor on May 6, 2020. OWCP stated there were issues with the contractor providing consistent, standardized, and timely reports that allow OWCP to understand the current status of processing. On May 15, 2020, OWCP stated in the first communication of issues that 11 of 12 daily reports contained significant errors preventing the government from effectively identifying:

- the number of bills processed;
- the value of bills approved, denied, and suspended; and
- the number of claims not yet processed.

More than one year later, in the second communication of issues on June 2, 2021, OWCP continued to cite data integrity problems in the contractor’s

system-generated reports. OWCP and the contractor have continued to communicate about the data integrity problems through action plans and responses.

The exchanges between OWCP and the contractor provided evidence of reoccurring reporting and data inaccuracies and demonstrated OWCP's lack of internal control documentation impacted the oversight of the development of the WCMBP system. While OWCP provided evidence of test cases that passed as part of the Government Acceptance Testing and System Integration Testing, the communication of issues and subsequent communication between OWCP and the contractor show the tests performed before the WCMBP system went into production may not have been sufficient. The WCMBP system went into production on April 27, 2020, but OWCP was already discussing its issues with the contractor one week later.

In the second communication of issues, OWCP identified report logic issues with two system-generated reports and continued to find additional reports with issues after further analysis. As a result, OWCP submitted an additional support ticket requesting the contractor review all reports to ensure accurate reporting. The contractor's action plan schedule, dated October 29, 2021, had a planned completion date of February 8, 2022, for this issue. OWCP stated all matters were resolved, and the action plan was considered closed as of February 23, 2022. Due to multiple monitoring reports not working as designed or intended for almost 2 years, including the one mentioned here, OWCP had no consistent means to regularly review or ascertain the quality of data or contractor performance regarding the data passing through the WCMBP system.

Despite a lack of fully functioning reports, OWCP had some undocumented review capabilities. Had OWCP utilized the best practices identified in DOL's SDLC Management Manual, such as independent verification and validation of acceptance testing, these reporting issues may have been identified and resolved prior to going into production. Although OWCP states the lack of these reporting functions did not impact monitoring, OWCP had significant communications with the contractor requesting immediate actions.

FECA's Biweekly Data Set Processing

We identified OWCP lacked controls over a key data set: FECA's biweekly data file. OWCP creates biweekly data sets containing medical bill payment and claimant information and provides this information to federal agencies and their OIGs for use in managing FECA claims, monitoring costs, and conducting reviews for fraud. We reviewed the biweekly data set process by requesting OWCP policies, procedures, or requirements for the creation, sharing, transmission, and use of the data set. This documentation provides management with rules, mechanisms, and procedures to produce reliable and repeatable results. OWCP responded by providing only the source code for the data set's

creation. However, the source code is not a sufficient description for internal controls. In response to our follow-up questions, OWCP stated the source code was written many years ago and the original documented requirements are no longer available. Our review included tracing data acquired, processed, shared, and transmitted between the WCMBP system and iFECS and analyzing the process required to create a reliable biweekly data set.

As a result of this assessment, we determined the process was undocumented and lacked controls to ensure the reliability of the data set. Besides the source code, OWCP did not provide any procedural documentation required to correctly process system data, including the business rules needed to transform data from one system to the next or from one data set to the next set. We noted the mapping of data fields and business rules were undocumented and undeterminable in relation to system functions.

Program Integrity Unit

OWCP has designated a PIU in two OWCP programs (Energy and FECA) to review and analyze spending data to identify potential fraud cases and refer those cases to DOL OIG for investigation. These programs did not have PIU policies and procedures in place, including standard operating procedures (SOP). Without an SOP for the PIU, Energy and FECA program management cannot ensure all staff follow consistent guidance on PIU activities. Although the Energy program staff developed a draft SOP to guide the PIU's activities that contained detailed guidance for reviewing, auditing, and/or investigating claims, it was not finalized until November 2021. When we asked about similar policies and procedures for the FECA PIU, OWCP stated they did not have SOPs. Policies and procedures are critical internal controls to ensure effective design, implementation, and operations of an entity's internal control system.

We determined OWCP's lack of internal controls and oversight of the WCMBP system did not meet the criteria set forth by the Green Book, which states, "management is responsible for designing the policies and procedures to fit an entity's circumstances and building them in as an integral part of the entity's operations."⁶ OWCP acknowledged the lack of documentation of internal control deficiencies in the three areas discussed in this memorandum. However, documentation is a necessary part of an effective internal control system.⁷ As a result, internal controls remain deficient.

⁶ GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014), OV2.02

⁷ GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014), OV4.08

Audit Limitations

Our ability to complete our audit objective was limited because OWCP was not transparent and forthcoming with relevant information. This impacted the timeliness of our audit when: (1) OWCP did not immediately/timely inform the OIG of the communication of issues provided to the contractor, and (2) OWCP delayed the OIG's ability to meet with the contractor.

When we initially requested the contract and other relevant information prior to the entrance conference, OWCP did not inform the OIG of the communications of issues provided to the contractor in May 2020 and June 2021. For more than 4 months, OWCP could also have informed the OIG of the existence of the communication of issues at the entrance conference or earlier in the audit. The communication of issues identified specific deficiencies that impact how OWCP manages the operations of the WCMBP system. This information would have changed our audit approach or assisted us in deciding to conduct the audit after corrections had been completed. However, the OIG did not learn about the existence of the communication of issues until OWCP mentioned action plans in a meeting 4 months after the entrance conference. As previously discussed, the communication of issues identified multiple OWCP issues that would have impacted our audit approach. OWCP's failure to immediately or timely disclose the communication of issues was a major impediment to our ability to effectively and timely complete the audit.

Also, OWCP was unable to facilitate timely meetings. The OIG requested four meetings with the contractor and they were delayed due to OWCP and the contractor disagreeing on the scope of the contract audit support requirements. While this issue was eventually resolved, it still resulted in audit delays up to 75 days (see Table 2). The delays impacted our ability to timely assess the contractor's processes and complete our audit objective.

Table 2: Meeting Request Delays

Contractor Meeting	Date of Meeting Request	Meeting Date	Total Delayed Days
Call Center	July 8, 2021	September 21, 2021	75
Mailroom	July 8, 2021	September 21, 2021	75
Fraud & Abuse Detection System	July 8, 2021	August 26, 2021	49
QA Manager	August 26, 2021	September 20, 2021	25

Source: Meeting request list provided by the OIG.

Our inquiries were hindered from April 2021 through September 2021, and our efforts to understand system and staff processes were delayed before we attempted a request for data. OWCP stated contractual issues as a reason for these delays. While meetings were eventually held and some documentation was provided, cumulatively these delays and issues severely hindered our efforts to understand the system and staff processes and limited our ability to obtain data for testing data reliability. As a result of these issues, the OIG determined we had limited or delayed access to WCMBP system data—despite the Performance Work Statement in the contract between OWCP and the contractor⁸ ensuring the OIG has access to information.

The limitations on our audit resulted in restricting our ability to understand and test the contractor's and OWCP's systems, processes, and controls for ensuring effective performance and data quality.

Conclusion

In an effort to determine to what extent do OWCP's processes and controls result in the sufficient management of the collection, processing, and reporting of accurate medical bill processing data, we identified issues with OWCP's policies, procedures, and internal control documentation⁹ for ensuring the reliability of its data. Along with these issues, we encountered audit limitations, such as access to personnel and lack of documentation. Based on GAO's guidance for assessing and reporting the reliability of data, we determined the WCMBP system data were of undetermined reliability.

When performing critical mission duties and making management and claimant decisions, and until OWCP can demonstrate its medical bill processing data is reliable, OWCP and other federal agencies should be aware the reliability of OWCP's medical bill processing was unable to be determined during our audit.

Recommendation

We recommend the Director of Workers' Compensation Programs:

1. Implement internal controls that ensure the quality of OWCP's medical bill processing data when it is collected, processed, and shared with OWCP's other systems, program management and staff, and other stakeholders.

⁸ Per this Performance Work Statement, the WCMBP is subject to financial and information security audits. The contractor is also subject to annual and other periodic financial processing and security audits performed by DOL OIG, GAO, and other federal oversight organizations, including government third-party contractors, on the facilities, personnel, hardware, and software used to process OWCP claims.

⁹ GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014), OV4.08 states, "Documentation is a necessary part of an effective internal control system." Thus implementation includes documentation.

Throughout the audit, we shared our results with OWCP. Also, OWCP provided information for clarification, which was incorporated into this memorandum.

Summary of OWCP's Response

In its response to a draft of this report, OWCP disagreed with the assertions made in our memorandum and objected to the implication that all the issues discussed in the memorandum were ongoing concerns. Specifically, OWCP stated the concerns we raised resulted from issues that existed one to two years ago. We have included OWCP's full response within the Attachment to this report.

We disagree with OWCP's response and stand by the results of our work as presented. Our memorandum clearly stated the scope of our audit work, the timeframe in which we determined OWCP did not have sufficient internal controls over data quality for us to continue our testing, and the circumstances in which OWCP was not transparent and forthcoming with relevant information. Further, OWCP's response did not acknowledge that the system was already in production when data errors were identified by an external agency.

Additionally, in response to a draft of this memorandum, OWCP stated the issues that precluded our continued testing have been remedied, and that all remaining documents will be finalized by November 1, 2022. Given that OWCP and other federal agencies rely on OWCP's medical bill processing, we plan to conduct a follow-up review of OWCP's medical bill processing data in FY 2023, at which time we will verify internal control implementation and test the reliability of OWCP's data for its medical bill processing.

cc: Jill Brown
Jenny Chao
Vincent Alvarez

U.S. Department of Labor

Office of Workers' Compensation Programs
Washington, D.C. 20210



August 24, 2022

MEMORANDUM FOR: CAROLYN R. HANTZ
Assistant Inspector General for Audit

FROM: CHRISTOPHER J. GODFREY
CHRISTOPHER J. GODFREY
Director of Workers' Compensation Programs

Digitally signed by
CHRISTOPHER GODFREY
Date: 2022.08.29 13:12:16 -04'00'

SUBJECT: **Alert Memorandum:** The Office of Workers' Compensation Programs' Workers' Compensation Medical Bill Process System Data Were of Undetermined Reliability
Report Number: 23-22-002-04-001

The purpose of this memo is to provide a response from the Office of Workers' Compensation Programs (OWCP) to the above referenced Alert Memorandum (memo) issued by the Office of the Inspector General (OIG) regarding the data reliability of OWCP's medical bill processing operation. OWCP does not concur with many of the assertions made by OIG in the memo. In particular, OWCP objects to the implication that all the issues discussed in the memo are ongoing concerns. To the contrary, the memo largely concerns issues from one to two years ago, when OWCP's medical bill processing system was re-implemented under a new contractor. Because of OWCP's diligent oversight efforts, most of those issues have been resolved and any remaining issues are in the process of being addressed.

Before and after deployment of the new contractor's bill processing system, OWCP implemented appropriate controls, performed independent testing, and held the contractor accountable in accordance with federal procurement rules and best practices. OWCP consistently ensured that program integrity and internal auditing controls were performed timely and accurately. Indeed, an independent third-party audit recently confirmed that OWCP has implemented appropriate controls without exception.

As detailed below, OWCP does not concur with several of the assertions made in the memo.

U.S. Department of Labor

Office of Workers' Compensation Programs
Washington, D.C. 20210**Lack of Internal Controls*****Medical Bill Processing Service Oversight***

Testing – OIG asserts that OWCP's testing was not independent because "the contractor created the test cases, set up the test environment, and developed the test data and test accounts." In fact, the creation of the test cases and test data was a cooperative effort between OWCP and the contractor, in which OWCP gave specific parameters for the test cases and test data, while co-creating the test scripts and test reports. OWCP testers performed the testing in the contractor's government acceptance testing environment as specified in the contract to ensure testing mirrored as closely as possible the forthcoming production environment. More generally, OWCP could not have independently developed and performed the necessary testing in the manner that OIG suggests because OWCP was testing an existing system owned by the third-party contractor. It was necessary for the contractor to provide access, and only the contractor could set up the appropriate accounts and environment for testing.

In addition, OIG's assertion that using the DOL system development lifecycle methodology (SDLCM) for this process would result in a different outcome from the testing that was performed by OWCP has no basis in fact. The SDLCM is simply a methodology and not a guarantee of specific outcomes. Almost every item required in the DOL SDLCM was also part of the WCMBP process. The items OIG pointed to as being deficiencies were differences of specific forms rather than substantive differences in testing methodology.

To establish appropriate testing was conducted, OWCP provided the auditors with evidence of extensive implementation testing including 15 test iterations, test case samples (including an end-to-end test case spanning multiple modules of the process), and test results with testers identified for each test case. A total of 294 test cases were executed, with many retested one or more times to confirm that expected test results were achieved. The tests were performed by OWCP staff, and the results were reviewed with executives/officials of both OWCP and the contractor at weekly meetings. In addition, data migration testing was monitored by OWCP as data was exchanged between the prior and successor contractors; these test results were also provided to OIG during the audit. At the time of the pre-deployment Operational Readiness Assessment, all user acceptance tests had been passed. The subsequent issues could not have been anticipated based on the successful test results. Moreover, once the system was in the Operations phase, OWCP conducted timely post-implementation testing/monitoring and communicated problems to the contractor a week after the system went live.

U.S. Department of Labor

Office of Workers' Compensation Programs
Washington, D.C. 20210

OWCP's Communication of Issues to the Contractor – The memo points to OWCP's communication of issues to the contractor as "further evidence of OWCP's lack of internal controls." To the contrary, this communication is direct evidence that OWCP had controls in place and was diligent in applying those controls. They show that OWCP was closely monitoring and reviewing the contractor's data and processes and addressing issues that had not surfaced during testing; indeed, OWCP could identify issues and initiate corrective measures immediately after the system went live only because OWCP was monitoring the contractor so closely. The purpose of OWCP's initial communication was to identify all issues with the goal of rapid remediation, and to that end, OWCP's communication to the contractor identified "several examples of problems with the quality of reports and deliverables." The contractor's response also demonstrated OWCP's hands-on oversight of the contractor and OWCP's continued attention to the oversight of the system.

Reporting – OIG asserts that issues with reporting prevented OWCP from identifying key information including the number of bills processed and their value. This assertion is inaccurate; in fact, OWCP had two methods of monitoring contractor performance. First, between May 1, 2020, and April 2, 2021, DAO's Program Integrity Unit (PIU) conducted daily reviews and analyses of the contractor's Daily Status Reports on operational performance. The OWCP PIU tracked the contractors' performance through daily summary reports that identified the number of bills processed and not processed. Second, on April 2, 2021, OWCP obtained use of a Power BI real-time dashboard for monitoring. These two reporting mechanisms enabled OWCP's ability to monitor the system, therefore OWCP's monitoring was not impaired by a lack of system-generated reports.

FECA's Biweekly Data Set Processing

OIG asserts that this process lacked controls to ensure the reliability of the data because OWCP provided OIG with only the source code as evidence of the process. Although OWCP acknowledges that there was not additional documentation of the bi-weekly data sent from WCMBP to iFECS at the time of the audit, absence of additional documentation does not establish that OWCP lacked adequate controls to ensure data reliability. In fact, the source code provided to the auditors clearly shows which data fields were being transferred into iFECS and the logic that was applied for those data transfers. This process has been effectively functioning for many years, and the code has been maintained without issue by successive contractors. OWCP successfully worked with the current contractor during implementation to conform to the parameters of this well-established code, moving the process from the previous contractor to the current contractor. In any event, since OIG's audit, OWCP has completed additional documentation of the process that confirms its reliability.

U.S. Department of Labor

Office of Workers' Compensation Programs
Washington, D.C. 20210**Program Integrity Unit**

OIG asserts that the lack of documented standard operating procedures equates to a lack of internal controls. However, internal controls include the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Although the FECA program acknowledges that it did not have a comprehensive standard operating procedure (SOP) "document", FECA did have policies, procedures, and reporting systems in place. OWCP submitted significant evidence of this to the auditors, including published bulletins and circulars, monthly reports, and OIG referrals based on the activity by the PIU. An SOP document addressing the FECA program's process – which documented and memorialized what was already occurring - was created and finalized on December 17, 2021.

Furthermore, OV4.08 of the Green Book does not specifically require that management maintain documentation in the form of an SOP. Rather, it states "Documentation is a necessary part of an effective internal control system. **The level and nature of documentation vary** based on the size of the entity and the complexity of the operational processes the entity performs. Management uses judgment in determining the extent of documentation that is needed." OWCP meets this requirement by maintaining documentation for internal controls through bulletins, circulars, SOPs, audit logs, datasheets, and other sources, as deemed appropriate and relevant. OWCP provided some SOPs to the OIG as part of the audit, but also offered bulletins, circulars, audit logs, source code, monthly reports, and other types of documentation as evidence of the internal controls in place to monitor the bill payment process.

Audit Limitations:

The memo criticizes OWCP's cooperation with the OIG investigative process. OWCP strongly disagrees. Several facts underscore OWCP's robust cooperation with the investigative process:

- OWCP provided timely demonstrations of the system, system access, and access to all personnel that OIG requested.
- OWCP met with the auditors 30 times between the entrance conference and the meeting to discuss audit findings on November 23, 2021. OIG met with each of the program integrity teams and each of the technical teams to discuss their various aspects of the system's controls and interfaces. Between April and September, OWCP met with OIG 22 times and provided the auditors with access to over 35 staff from OWCP and OCIO.

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Office of Workers' Compensation Programs
Washington, D.C. 20210



- Although OWCP acknowledges there were delays in arranging a meeting between OIG and the contractor, those delays resulted from the contractor's exercising its contractual right to challenge the scope of contract audit support requirements. As OIG knows, under the Contract Disputes Act, contractors may assert claims seeking compensation and other contractual remedies when they dispute an agency's interpretation of their contract. When a contractor exercises this right, an agency is legally required to, as part of its duties in administering contracts, carefully consider and address the contractor's concerns. OWCP diligently worked to address those concerns; as a result of these efforts, OIG was ultimately able to meet with the contractor.
- While the contractual dispute was pending, OWCP contemporaneously provided OIG with a copy of email communications reflecting OWCP's actions to resolve this contractual issue. In addition, during the time OWCP was working to resolve the contract dispute, the OWCP program management office personnel provided OIG's auditors with detailed walk-throughs of the requested functional areas (including documentation). The auditors were also granted access to the system itself. The OWCP walk-throughs were conducted within the timeframe requested by the auditors.

Recommendation

OWCP does not concur with the recommendation that internal controls need to be implemented, as OWCP has clearly shown that effective internal controls are in place for the system. Indeed, the memo largely discusses conditions that existed in the past and that do not reflect the current situation. OWCP addressed all but a few documents, which are currently being updated or reviewed. OWCP anticipates the remaining documents will be finalized by November 1, 2022. In addition, as further evidence of the internal controls in place for the WCMBP, OWCP recently received the bill processing contractor's independent third-party audit report, which reflects that no exceptions were identified. OWCP will share upon request this 2022 System and Organization Controls (SOC) I Type 2 report.