

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 GODFREY  
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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.

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*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.

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*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.

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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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- 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.