

# Deepwater Horizon Economic Claims Center

**Process Review  
Management and Design – CSSP Operations**

**November 2014**

November 7, 2014

Patrick Juneau  
Claims Administrator  
Deepwater Horizon Economic Claims Center  
935 Gravier Street, Suite 1905  
New Orleans, Louisiana 70112

Dear Mr. Juneau:

In accordance with our agreement, effective October 16, 2013, we have performed process review services related to various functions within the Deepwater Horizon Economic Claims Center (“DHECC”) and across the Court Supervised Settlement Program (“CSSP”). As part of our engagement, we have completed an assessment of the management and design of CSSP operations. This report contains the results of this review, and is divided into the following sections:

- **Executive summary**—provides an introduction to the process review performed, describing our scope and approach, and an overall conclusion as to the adequacy and appropriateness of existing controls in this area.
- **Observations and recommendations**—details our specific observations noted as well as recommendations for DHECC management’s consideration.

This report is intended solely for the information and use of DHECC management. This report is not intended to be, and should not be, used by anyone other than DHECC without our express written consent. Notwithstanding the above, DHECC’s external auditors, the U.S. District Court for the Eastern District of Louisiana, and regulators may be provided with a copy of this report in connection with fulfilling their respective responsibilities.

We appreciate the cooperation afforded us during this review, and the opportunity to be of continued service to DHECC.

Sincerely,



**McGladrey LLP**

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## Introduction

We have completed an assessment of the management and design of the Court Supervised Settlement Program's ("CSSP" or the "Program") operations, as described below, for Deepwater Horizon Economic Claims Center ("DHECC," "Claims Administrator's Office" or "CAO"). The primary objective of our work was to review the organization and operations of the CSSP to determine whether it is managed and designed appropriately for an organization of its size and in a manner that allows it to meet its obligations for processing claims in compliance with the Economic and Property Damages Settlement Agreement ("Settlement"). Our assessment (the "process review") was conducted in accordance with the applicable American Institute of Certified Public Accountants ("AICPA") consulting standards.

The scope of our review, as outlined in the CSSP Examination Objectives and Scope document included as Exhibit 1 in our agreement, included the following process areas:

- *Processes for the development of CSSP management policies, procedures and practices and agreement of those with the other parties* – the CAO's process to develop CSSP policies, to which all CSSP personnel, including those employed by major vendors, are subject.
- *The design and operational effectiveness of those management policies, procedures and practices* – the extent to which all CSSP personnel are complying with management policies, as well as, based on our professional judgment and experience, the sufficiency and appropriateness of the content within the respective management policies. With respect to operating effectiveness (i.e., compliance with management policies), we encountered overlap in scope with our Financial Controls and Vendor Compliance reviews, and have included any duplicative observations and underlying procedures performed in those reports.

The following areas were also identified as in scope processes in Exhibit 1 of our services agreement. However, based on discussions with our client, and due to duplication of efforts described below, we did not perform any related procedures:

- *Structure and organization* – a review of the CSSP's structure, including the CAO and various major vendors of the organization, for appropriateness. Due to overlap in scope with the court-appointed Special Master (the "Special Master" or "Freeh Group"), and based on discussions with Freeh Group, this process area was not included in our procedures.
- *Employment practices* – processes to recruit and on-board new personnel, perform and review background checks, train staff members, enter into new contracts with and remunerate contractors. Note – the processes to review recruiting, on-boarding, background checks, and training were identified as areas also within the scope of the Special Master. As such, these process areas were not included in our review procedures. Similarly, with respect to contracting and remuneration, we encountered overlap in scope with our Financial Controls review, and have included any duplicative observations and underlying procedures performed in that report.

## Approach

We completed the process review procedures in accordance with the CSSP Examination Objectives and Scope document included as Exhibit 1 in our agreement, effective October 16, 2013. The review period covered by this report is CSSP inception through September 30, 2013. To accomplish our objectives, the following procedures were performed.

- Evaluated and determined the extent to which work prepared by others (such as the DHECC internal audit group and other McGladrey teams performing working concurrently) could be leveraged in our work
- Gained an understanding of review procedures executed by the Special Master to ensure scope items identified by CAO and included in our services agreement were appropriately addressed
- Conducted management interviews and walkthroughs with the CAO's business process and reporting group in an effort to gain an in-depth understanding of processes, procedures, and policies
- Identified risks and risk mitigation strategies, including key controls and gaps in risk mitigation strategies (resulting in residual risks to the organization)
- Developed work programs based on our understanding of process areas and review of relevant documentation
- Obtained and reviewed supporting documentation, including evidence related to the development, review, approval, and communication of CSSP management policies
- Executed work programs and, to the extent applicable, developed observations.

It should be recognized that internal controls and other risk mitigation activities are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur and that procedures are performed in accordance with management's intentions. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of controls. In the performance of most control procedures, errors can result from misunderstanding instructions, errors in judgment, carelessness or other personal factors. Control procedures can be circumvented intentionally by management with respect to the execution and recording of transactions, or with respect to the estimates and judgments required in the processing of data.

## Conclusion

As described above, several of the areas originally identified as in scope for the purposes of this process review were either addressed by another service provider or a separate McGladrey process review. As a result, our management and design procedures were limited to the design of the CSSP procedures to develop management policies. After gaining an understanding of the processes in place, and reviewing supporting documentation to evidence the implementation of controls identified, we concluded that the processes employed by the CSSP to develop management policies are well-designed and appropriate for an organization of this size and complexity, and, therefore, do not have any reportable observations to communicate.



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