



Examination of the U.S. Department of Justice's Fiscal Year 2020 Compliance with the Payment Integrity Information Act of 2019



21-067

MAY 2021



EXECUTIVE SUMMARY

Examination of the U.S. Department of Justice's Fiscal Year 2020 Compliance with the Payment Integrity Information Act of 2019

Objectives

Pursuant to the Payment Integrity Information Act of 2019 (PIIA), and in accordance with the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvement*; and OMB Circular A-136, *Financial Reporting Requirements*, the Office of the Inspector General (OIG) is required to annually determine the Department's compliance with the improper payment reporting requirements. The OIG is required to submit a report on its determination no later than 180 days after issuance of the Department of Justice's (Department or DOJ) Agency Financial Report (AFR).

Results in Brief

The OIG found that the Department complied with PIIA for fiscal year 2020.

Furthermore, through payment recapture audits in fiscal year 2020, the Department identified for recovery \$6.23 million and recovered \$6.25 million in current and prior year improper payments. Outside of the Department's payment recapture audits, the OIG identified \$4.89 million in additional improper payments, and the Department recovered \$2.41 million of current and prior year improper payments.

Recommendations

No recommendations are provided in the report.

Examination Results

For the fiscal year ended September 30, 2020, the OIG examined the Department's compliance with the requirements of OMB Circular A-123, Appendix C; OMB Circular A-136; OMB Annual Data Call Instructions; OMB Payment Integrity Question and Answer Platform; and the Council of the Inspectors General on Integrity and Efficiency Guidance for PIIA Compliance Reviews.

The following table summarizes the Department's compliance status for each requirement.

Compliance Requirements for Agencies	Department's Compliance
Published an AFR	Compliant
Conducted a Risk Assessment	Compliant
Published an Improper Payment Estimate	Not Required
Published Corrective Action Plans	Not Required
Published and is Meeting Reduction Targets	Not Required and Not Applicable
Reported an Improper Payment Rate of Less than 10 Percent	Not Required

Table of Contents

Introduction	1
Background	1
Examination Approach	2
Office of the Inspector General's Independent Examination Report.....	3
Examination Results.....	5
APPENDIX 1: Objectives, Scope, and Methodology	7
Objectives	7
Scope and Methodology.....	7
APPENDIX 2: Improper Payments Reporting in the FY 2020 Department of Justice Agency Financial Report.....	9

Introduction

Background

On March 2, 2020, the President signed the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117). PIIA repealed the Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), and the Fraud Reduction and Data Analytics Act of 2015 (FRDAA). PIIA incorporates select provisions from IPIA, IPERA, IPERIA, and FRDAA, into a single subchapter of the U.S. Code, while also introducing new aspects into the payment integrity statutory framework.

PIIA requires agencies to assess every federal program and dollar disbursed for improper payment risk, measure the accuracy of payments, and initiate program improvements to ensure payment errors are reduced. Specifically, PIIA requires agencies to review all programs and activities and identify all program activities that are susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). For those programs or activities that are deemed susceptible to significant improper payments, either by the agency or by law, the agency must obtain a statistically valid estimate of the annual amount of improper payments and thereafter implement a plan to reduce improper payments.

In addition to reporting the estimated annual amount of improper payments for programs or activities susceptible to significant improper payments, PIIA requires agencies to conduct payment recapture audits for each program and activity that expends \$1 million or more annually, if conducting such audits is cost effective. Agencies must have a cost-effective program of internal controls to prevent, detect, and recover overpayments resulting from payment errors. All agencies are required to establish annual targets for their payment recapture audit programs that will drive annual performance.

The Department of Justice (Department) received \$85.2 million in funding through Public Law 115-123, the Bipartisan Budget Act of 2018 (The Act). The Act provided emergency supplemental appropriations to respond to and recover from recent hurricanes, wildfires, and other disasters. The Act requires Federal agencies to consider all programs and activities receiving funds under the Act to be deemed susceptible to significant improper payments for purposes of the PIIA. In addition, OMB Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster Related Appropriations*, further defines funds expended under P.L. 115-123 as susceptible to significant improper payments if \$10 million or more is expended per fiscal year.

PIIA requires the Office of the Inspector General (OIG) of each agency to annually determine its agency's compliance with the improper payment reporting requirements, as set forth in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvement*; and OMB Circular A-136, *Financial Reporting Requirements*. The OIG is required to submit a report on its determination no later than 180 days after issuance of the Agency Financial Report (AFR) to the head of the agency, the Committee on Homeland Security and Governmental Affairs of the U.S. Senate, the Committee on Oversight and Government Reform of the U.S. House of Representatives, the Comptroller General, and the Controller of OMB.

Examination Approach

As required by PIIA, the objective of this examination was to determine the Department's compliance with the requirements of PIIA, for the fiscal year ended September 30, 2020. In accordance with OMB Circular A-123, Appendix C, and as related to a compliance examination, we examined the Department's compliance with PIIA by determining whether the Department had: (1) published an AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the Department's website; (2) conducted a program-specific risk assessment for each program or activity that conforms with Section 3321 of Title 31 U.S.C. (if required); (3) published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required); (4) published programmatic corrective action plans in the AFR (if required); (5) published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and (6) reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or accompanying materials required by OMB.¹

Additionally, in accordance with OMB Circular A-123, Appendix C, we evaluated the accuracy and completeness of agency reporting and evaluated agency performance in reducing and recapturing improper payments. Our report includes our evaluation of agency efforts to prevent and reduce improper payments.

¹ Accompanying materials required by OMB is information previously contained in the AFR that is not explicitly required in the Payment Integrity section through OMB Circular A-136. Accompanying materials are now reported on <https://paymentaccuracy.gov> through the annual OMB payment integrity data calls.



Office of the Inspector General's Independent Examination Report

United States Attorney General
U.S. Department of Justice

We have examined the U.S. Department of Justice's (Department) compliance with the requirements of the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, Appendix C, Requirements for Payment Integrity Improvement; OMB Circular A-136, Financial Reporting Requirements; OMB Annual Data Call Instructions; and the OMB Payment Integrity Question and Answer Platform as they relate to the Payment Integrity Information Act of 2019, for the fiscal year ended September 30, 2020. Management is responsible for the Department's compliance with these improper payment reporting requirements. Our responsibility is to express an opinion on the Department's compliance, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require us to plan and perform the examination to obtain reasonable assurance about the Department's compliance with the improper payments reporting requirements, in all material respects. An examination involves performing procedures to obtain evidence about the Department's compliance for the fiscal year ended September 30, 2020. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, for the fiscal year ended September 30, 2020, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with improper payment reporting requirements.

In our opinion, the Department complied with the improper payments reporting requirements, for the fiscal year ended September 30, 2020, in all material respects.

This report is intended solely for the information and use of Department management, the Office of Management and Budget, U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than the specified parties.

A handwritten signature in black ink, appearing to read "Kelly A. McFadden", followed by a horizontal line.

Kelly A. McFadden, CPA
Director, Financial Statement Audit Office
Office of the Inspector General
U.S. Department of Justice
Washington, D.C.

April 27, 2021

Examination Results

The Office of the Inspector General (OIG) determined that the Department reviewed the requirements of PIIA, as well as OMB Circular A-123, Appendix C; OMB Circular A-136; OMB Annual Data Call Instructions; and the OMB Payment Integrity Question and Answer Platform guidance to collect and publish information on the Department's improper payments as of September 30, 2020, in its AFR or accompanying materials required by OMB. Our procedures also confirmed that the Department conducted a risk assessment of its five self-identified programs to determine if any were deemed to be susceptible to significant improper payments, defined as gross annual improper payments in the program exceeding the statutory thresholds of either \$100 million or both 1.5 percent of program outlays and \$10 million. For fiscal year 2020, the Department analyzed fiscal year 2019 disbursements of the Department's programs that received funds related to disaster relief funding from the Bipartisan Budget Act of 2018 (Public Law 115-123) and determined that the Prisons and Detention Program disbursed more than \$10 million and is deemed susceptible to significant improper payments as defined in M-18-14, *Implementation of Internal Controls and Grant Expenditures for Disaster-Related Appropriations*. The Department developed a sampling and estimation plan and submitted it to OMB through max.gov. The Department tested the disbursements from the Prison and Detention Program and identified no improper payments. Therefore, the Department did not publish a gross estimate for its annual amount of improper payments. As a result of the Department's risk assessment and the additional testing of the disaster relief funding not identifying any significant improper payments, the Department was not required to include the following information in its accompanying materials: programmatic corrective actions plans, annual reduction targets for programs at risk, and a gross improper payment rate of less than 10 percent for each program.

The OIG found that the Department complied with PIIA requirements for fiscal year 2020, and we issued an unmodified opinion in our independent examination report. Table 1 summarizes the Department's compliance status for each requirement and DOJ mission-aligned program. We provide no recommendations in this report.

Table 1

The Department's Compliance with PIIA

DOJ Mission-Aligned Program	Published an AFR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Reported an Improper Payment Rate of Less than 10 Percent
Administrative, Technology, and Other	Compliant	Compliant	Not Required	Not Required	Not Required and Not Applicable	Not Required
Litigation	Compliant	Compliant	Not Required	Not Required	Not Required and Not Applicable	Not Required
Law Enforcement	Compliant	Compliant	Not Required	Not Required	Not Required and Not Applicable	Not Required
State, Local, Tribal, and Other Assistance	Compliant	Compliant	Not Required	Not Required	Not Required and Not Applicable	Not Required
Prisons and Detention	Compliant	Compliant	Not Required	Not Required	Not Required and Not Applicable	Not Required

Source: DOJ OIG analysis

Through payment recapture audits in fiscal year 2020, the Department identified for recovery \$6.23 million. In fiscal year 2020, the Department recovered, \$6.25 million of which \$5.83 million was identified for recapture in the current year and \$0.42 million in previous years. As a result, the improper payments recaptured exceeded the improper payments identified for an annual improper payment recovery rate of 100.3 percent.

Outside of the Department's payment recapture audits, the OIG identified \$4.89 million in additional improper payments, and the Department recovered \$2.41 million of current and prior year improper payments, which is an annual improper payments recovery rate of 49.3 percent.²

² The OIG reported in its [Semiannual Report to Congress](#), (April 1, 2020 – September 30, 2020) that the DOJ had open audit recommendations associated with over \$134 million in questioned costs. Questioned costs include instances where the auditor is unable to discern whether the payment is proper or improper but is not considered to be an improper payment until the transaction has been completely reviewed and is confirmed to be improper. DOJ management is responsible for remedying the questioned costs and is taking steps to close the recommendations.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

The objective of this examination was to determine the Department's compliance with PIIA, in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvements*; OMB Circular A-136, *Financial Reporting Requirements*; OMB Annual Data Call Instructions; and the OMB Payment Integrity Question and Answer Platform, for the fiscal year ended September 30, 2020. Compliance with PIIA means that the Department has: (1) published an AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the Department's website; (2) conducted a program-specific risk assessment for each program or activity that conforms with Section 3321 of Title 31 U.S.C. (if required); (3) published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required); (4) published programmatic corrective action plans in the accompanying materials (if required); (5) published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and (6) reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or accompanying materials required by OMB.

Scope and Methodology

We performed an examination of the Payment Integrity information section published in the Department's fiscal year 2020 AFR and the accompanying materials required by OMB to determine compliance with PIIA. The Department's improper payments information was for the period ended September 30, 2020. We gained an understanding of the Department and component-level controls through inquiry procedures; examined the Department's risk assessment; confirmed that the Department properly included its five self-identified programs; evaluated the risk factors required by OMB Circular A-123, Appendix C; examined documentation supporting the information published in the Department's AFR and the accompanying materials required by OMB; as well as re-performed calculations computed by the Department to populate the improper payment information published in the accompanying materials required by OMB.³

Additionally, in accordance with OMB Circular A-123, Appendix C, we evaluated the accuracy and completeness of agency reporting and evaluated agency performance in reducing and recapturing improper payments.

The OIG conducted the examination and prepared its report in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and

³ The risk factors examined by the Department and components included the following – whether the program or activity is new to the agency; recent major changes in funding, authorities, practices, or procedures; results of OMB Circular A-123 assessment, OIG audits/reviews, and other external audits/reviews; results of monitoring activities; results of recapture audit activities; process complexities; volume and dollar amount of payments; inherent risk; capability of personnel; and payments or payment eligibility decisions made by non-DOJ entities.

using a combination of the requirements in OMB Circular A-123, Appendix C (M-18-20, June 2018), OMB Circular A-136 (August 2020), OMB Annual Data Call Instructions, OMB Payment Integrity Question and Answer Platform, and the Council of the Inspectors General on Integrity and Efficiency Guidance for PIIA Compliance Reviews as required with PIIA, for the fiscal year ended September 30, 2020.

In determining the appropriate level of assurance, the OIG considered the requirements outlined in OMB Circular A-123, Appendix C; and OMB Circular A-136; the expectations of the users of the report; and any potential risks associated with performing the engagement. The OIG performed a compliance examination due to the higher level of assurance it provides, the result of which is the expression of an opinion.

The OIG is not independent with respect to amounts pertaining to OIG operations that are presented in the improper payments reporting. However, the amounts included for the OIG are not material to the Department's improper payments reporting, and the OIG is organizationally independent with respect to all other aspects of the Department's activities.

APPENDIX 2: Improper Payments Reporting in the Fiscal Year 2020 Department of Justice Agency Financial Report

Payment Integrity Information Act Reporting

The Payment Integrity Information Act of 2019 (PIIA) requires agencies to annually report certain information on improper payments and fraud reduction efforts to the President and Congress through their annual Agency Financial Report or Performance and Accountability Report.⁴ The Department provides the following improper payments and fraud reduction reporting as required by the PIIA; OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*; and OMB Circular A-136, *Financial Reporting Requirements*. See <https://paymentaccuracy.gov> for more detailed information on improper payments and recovery activities.

I. Actions Taken to Address Auditor Recovery Recommendations

Not applicable. In FY 2020, only one Department component – the FBI – used a recovery audit contractor to supplement internal review efforts to detect improper payments. The contractor did not provide the FBI any recommendations regarding actions that can be taken to prevent overpayments.

II. Fraud Reduction Report

In FY 2020, the Department continued its progress in implementing financial and administrative controls established by OMB in OMB Circular A-123 to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments; the fraud risk principle in the Standards for Internal Control in the Federal Government published by the Government Accountability Office; and OMB Circular A-123 with respect to the leading practices for managing fraud risk. In addition, the Department continued its progress in identifying risks and vulnerabilities to fraud and establishing strategies, procedures, and other steps to curb fraud.

The Department's fraud reduction program is part of its overall program of internal control. The program includes identifying fraud risks and opportunities, analyzing internal controls to prevent and detect fraud, responding to fraud risks through ongoing monitoring, assessing root causes of fraud, and developing corrective action plans, as necessary.

In FY 2020, the Department enhanced its fraud risk assessment approach to improve the identification of significant fraud risks and analysis of the effectiveness of controls to support the reduction of fraud. Specifically, the Department refreshed the tools, templates, and criteria to more effectively and accurately identify fraud risks and associated anti-fraud controls across the Department. The enhanced fraud risk assessment focused on seven key areas:

- human resources (payroll, time and attendance, and awards)
- disbursements (beneficiary payments, purchase cards, and embezzlement)
- grants (grants management, disbursements, and awards)
- acquisitions (large contracts and purchase cards)
- travel (travel cards, requests, and receipts)

⁴ The PIIA repealed the Improper Payments Information Act of 2002 (IPIA), Improper Payments Elimination and Recovery Act of 2010 (IPERA), Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), and Fraud Reduction and Data Analytics Act of 2015 (FRDA).

- property (physical and intangible property)
- COVID-19 (fraud risks resulting from business changes as a result of COVID-19)

As in FY 2019, the Department conducted a facilitated session to focus on Department-wide fraud risks and vulnerabilities, current and planned financial and administrative control activities to mitigate fraud risks, fraud risk ratings, and management's tolerance related to each fraud risk. The session was attended by the Department's Senior Assessment Team or their representatives, which was valuable because of the attendees' detailed insight into their respective component's OMB Circular A-123 assessment as it relates to fraud and the fraud risk principle in the GAO Green Book. Based on the analyses of risks, vulnerabilities, and control activities, the Department identified no instances where immediate action was needed to address high residual risk or risks outside of management's tolerance.