



Examination of the U.S. Department of Justice's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019



AUDIT DIVISION

22-071

MAY 2022



EXECUTIVE SUMMARY

Examination of the U.S. Department of Justice's Fiscal Year 2021 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 of Justice's (Department) compliance with the payment integrity reporting requirements. In addition, the OIG is required to evaluate the Department's efforts to prevent and reduce improper and unknown payments. The OIG is required to submit a report on its determination no later than 180 days after issuance of the Department's Agency Financial Report (AFR) or the accompanying materials to the AFR, whichever is later.

Results in Brief

The OIG found that the Department complied with the requirements of PIIA for fiscal year 2021. The Department met the applicable payment integrity reporting requirements for each of its five programs. The results of our evaluation also disclosed no instances where the Department's efforts to prevent and reduce improper and unknown payments were not effective.

Recommendations

No recommendations are provided in the report.

Examination Results

For the fiscal year ended September 30, 2021, the OIG examined the Department's compliance with the requirements of PIIA, in accordance with OMB Circular A-123, Appendix C; OMB Circular A-136; and OMB Annual Data Call Instructions. The following table summarizes the Department's compliance status for each requirement.

Compliance Requirements	Department's Compliance
Published payment integrity information in AFR	Compliant
Posted the AFR and accompanying materials on Department's website	Compliant
Conducted a risk assessment	Compliant
Adequately concluded whether the program is likely to make payments above or below statutory threshold	Compliant
Published improper and unknown payment estimates	Not Applicable
Published corrective action plans	Not Applicable
Published improper and unknown reduction targets	Not Applicable
Demonstrated improvements to payment integrity or reached a tolerable improper and unknown payment rate	Not Applicable
Developed a plan to meet the improper and unknown payments reduction target	Not Applicable
Reported an improper and unknown payment estimate of less than 10 percent	Not Applicable

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Introduction

Background Information

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 programs 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 recovery 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 recovery 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 hurricanes, wildfires, and other disasters. OMB Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster Related Appropriations*, requires Federal agencies to consider all programs and activities receiving funds under The Act to be deemed susceptible to significant improper payments and further defines funds expended under The Act 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 payment integrity 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* (OMB Circular A-123, Appendix C); and OMB Circular A-136, *Financial Reporting Requirements* (OMB Circular A-136). The OIG is required to submit a report on its determination within 180 days after issuance of the Agency Financial Report (AFR) or the accompanying materials to the AFR, whichever is later, 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

The objective of this examination was to determine the Department's compliance with the requirements of PIIA, in accordance with OMB Circular A-123, Appendix C; OMB Circular A-136; and OMB Annual Data Call Instructions, for the fiscal year ended September 30, 2021. Additionally, as required by OMB Circular A-123, Appendix C, the OIG was required to evaluate the Department's efforts to prevent and reduce improper and unknown payments. To accomplish these objectives, the OIG's examination approach followed the Council of the Inspectors General on Integrity and Efficiency Guidance for PIIA Compliance Reviews.



Office of the Inspector General's Independent Examination Report

United States Attorney General
U.S. Department of Justice

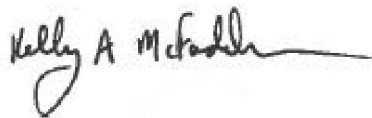
We have examined the U.S. Department of Justice's (Department) compliance with the requirements of the Payment Integrity Information Act of 2019 (PIIA), in accordance with the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvement*; OMB Circular A-136, *Financial Reporting Requirements*; and OMB Annual Data Call Instructions, for the fiscal year ended September 30, 2021. The Department's management is responsible for its compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, 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 specified requirements.

In our opinion, the Department complied, in all material respects, with the requirements of PIIA, in accordance with 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*; and OMB Annual Data Call Instructions, for the fiscal year ended September 30, 2021.

The OIG evaluated the Department's efforts to prevent and reduce improper and unknown payments for the fiscal year ended September 30, 2021. Providing an opinion on the effectiveness of the Department's efforts to prevent and reduce improper and unknown payments was not an objective of this examination, and accordingly, we do not express such an opinion. The results of our evaluation disclosed no instances where the Department's efforts were not effective.

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, reading "Kelly A. McFadden". The signature is fluid and cursive, with a long horizontal line extending to the right.

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

April 29, 2022

Examination Results

The Office of the Inspector General (OIG) determined that the Department complied with the requirements of the Payment Integrity Information Act of 2019, in accordance with OMB Circular A-123, Appendix C; OMB Circular A-136; and OMB Annual Data Call Instructions for the fiscal year ended September 30, 2021. The OIG determined that the Department reviewed the specified requirements to collect and publish information on the Department's improper and unknown payments for the fiscal year ended September 30, 2021, in its AFR and in the accompanying materials submitted to OMB. As a result of the Department's risk assessment and no significant improper payments being identified in the additional testing of the disaster relief funding, the Department's programs were considered below the statutory threshold and were not required to include programmatic corrective actions plan, annual reduction targets for programs at risk, and a gross improper payment rate of less than 10 percent for each program in its accompanying materials. Table 1 summarizes the Department's compliance status for each requirement and DOJ program.

The OIG evaluated the Department's efforts to prevent and reduce improper and unknown payments for the fiscal year ended September 30, 2021, and disclosed no instances where its efforts were not effective. The OIG provides no recommendations in this report.

Table 1

The Department's Compliance with PIIA by Program

Compliance Requirements	Administrative, Technology, and Other	Litigation	Law Enforcement	State, Local, Tribal, and Other Assistance	Prisons and Detention
Published payment integrity information with the AFR	Compliant	Compliant	Compliant	Compliant	Compliant
Posted the AFR and accompanying materials on the Department's website	Compliant	Compliant	Compliant	Compliant	Compliant
Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years	Compliant	Compliant	Compliant	Compliant	Compliant
Adequately concluded whether the program is likely to make improper and unknown payments above or below the statutory threshold	Compliant	Compliant	Compliant	Compliant	Compliant
Published improper and unknown payments estimates for programs susceptible to significant improper payments in the accompanying materials to the AFR	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Published improper and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Has demonstrated improvements to payment integrity or reached a tolerable improper and unknown payment rate	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Has developed a plan to meet the improper and unknown payment reduction target	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Reported an improper and unknown payment estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the AFR	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Source: DOJ OIG analysis

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

The objective of this examination was to opine on the Department's compliance with the requirements of 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-123, Appendix C); OMB Circular A-136, *Financial Reporting Requirements* (OMB Circular A-136); and OMB Annual Data Call Instructions, for the fiscal year ended September 30, 2021. Compliance with PIIA and OMB guidance means that the Department complied with the requirements listed in Table 1.

In addition, as required by OMB Circular A-123, Appendix C, the OIG is required to evaluate the Department's efforts to prevent and reduce improper and unknown payments. To be effective, programs should prioritize efforts toward preventing improper and unknown payments from occurring to avoid operating in a "pay-and-chase" environment. All programs should have a structured and systematic approach to recognizing where the potential for improper and unknown payments can arise and subsequently address the risk, as appropriate. Providing an opinion on the effectiveness of the Department's efforts to prevent and reduce improper and unknown payments was not an objective of this examination.

Scope and Methodology

The OIG examined the payment integrity information published in the Payment Integrity Information Act Reporting section in the Department's fiscal year 2021 Agency Financial Report and the accompanying materials required by OMB to determine compliance with PIIA. The OIG 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 programs; evaluated the risk factors recommended by OMB Circular A-123, Appendix C; determined if any programs 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; and re-performed calculations computed by the Department to populate the payment integrity information published in the accompanying materials required by OMB.¹

The Department determined that no programs were deemed susceptible to significant improper payments in fiscal year 2021. However, the Department chose to test disbursements from the Prisons and Detention program because it was deemed susceptible to significant improper payments in fiscal year 2020 when it received funds related to disaster relief funding from the Bipartisan Budget Act of 2018 (Public Law 115-123). The OIG examined the Department's sampling and estimation plan that was submitted to OMB through

¹ 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.

max.gov, and the Department's results of testing the disbursements from the Prisons and Detention Program, which identified no improper payments.

Additionally, in accordance with OMB Circular A-123, Appendix C, the OIG evaluated the Department's efforts to prevent and reduce improper and unknown payments. Through inquiry with the Department staff and review of policies and procedures along with responses to OMB data calls, the OIG found that the Department is performing procedures to detect and recover improper and unknown payments. The Department uses resources such as Treasury's Do Not Pay Initiative to reduce improper and unknown payments prior to making the payment. None of the Department's programs reported an estimate above the statutory threshold, therefore the OIG was not required to include recommendations for actions to further improve prevention and reduction of improper and unknown payments within the programs.

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; in accordance with the Council of the Inspectors General on Integrity and Efficiency Guidance for PIIA Compliance Reviews, for the fiscal year ended September 30, 2021.

The OIG is not independent with respect to amounts pertaining to OIG operations that are presented in the payment integrity reporting. However, the amounts included for the OIG are not material to the Department's payment integrity reporting, and the OIG is organizationally independent with respect to all other aspects of the Department's activities. As a result of the COVID-19 pandemic response, the OIG performed its fieldwork exclusively in a remote manner.

APPENDIX 2: Payment Integrity Reporting in the Fiscal Year 2021 Department of Justice Agency Financial Report

The Payment Integrity Information Act requires the Department to publish payment integrity information within its Agency Financial Report (AFR) for the most recent fiscal year in accordance with OMB guidance. Below is the Department's payment integrity reporting that was published in its fiscal year 2021 AFR.

Payment Integrity Information Act Reporting

The Payment Integrity Information Act of 2019 requires agencies to annually report certain information on improper payments in their AFR, such as actions taken to address recovery auditor recommendations. In recent years, OMB has been collecting improper payments data not required to be reported in the AFR, such as data on recovery activities, fraud, and risk assessment, through an annual data call and publishing the data on [PaymentAccuracy.gov](https://paymentaccuracy.gov). The Department's FY 2021 data can be found on <https://paymentaccuracy.gov>. With regard to actions taken to address recovery auditor recommendations, this is not applicable for the Department for FY 2021 reporting, as the Department did not use the services of a recovery auditor contractor in FY 2021.