Office of the Inspector General
U.S. Department of Justice

Examination of the U.S. Department of Justice's Fiscal Year 2014 Compliance under the Improper Payments Elimination and Recovery Act of 2010

Audit Division 15-16 May 2015

EXAMINATION OF THE U.S. DEPARTMENT OF JUSTICE'S FISCAL YEAR 2014 COMPLIANCE UNDER THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010

EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) examined the U.S. Department of Justice's (Department) compliance with the requirements of Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments;* and OMB Circular A-136, *Financial Reporting Requirements*, for the fiscal year ended September 30, 2014. This examination is required by the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010*. The Department's annual risk assessment of all programs and activities, not including Hurricane Sandy disaster relief activities, did not identify any programs or activities to be susceptible to significant improper payments for the cumulative period of fiscal years 2004 through 2014. The *Disaster Relief Appropriations Act of 2013* requires that all programs and activities receiving funds for Hurricane Sandy disaster relief activities be automatically considered susceptible to significant improper payments, regardless of any previous improper payment risk assessment results. Therefore, in FY 2014, the Department deemed approximately $8 million of funds disbursed for Hurricane Sandy disaster relief activities susceptible to significant improper payments.

During fiscal year 2014, the Department identified for recovery approximately $17 million in improper payments and recovered approximately $12 million of improper payments. For the cumulative period of fiscal years 2004 through 2014, the Department achieved an overall payment recovery rate of 86 percent; with approximately $79 million in improper payments identified and approximately $68 million of improper payments recovered.

The OIG conducted the examination and prepared its report in accordance with the attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In determining the level of assurance, we 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. We 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.

The OIG conducted the examination to determine compliance with the requirements, as set forth in OMB Circular A-123, Appendix C; and OMB Circular A-136. The examination was comprised of the OIG gaining an understanding of the Department and component-level controls through inquiry procedures, a review of documentation supporting the information published in the Department's *Agency Financial Report* (AFR), as well as re-performance of calculations computed by the Department.

We found that the Department complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2014.

EXAMINATION OF THE U.S. DEPARTMENT OF JUSTICE'S FISCAL YEAR 2014 COMPLIANCE UNDER THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010

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BACKGROUND

On July 22, 2010, the President of the United States signed into law the *Improper Payments Elimination and Recovery Act of 2010* (IPERA); and on January 10, 2013, the President signed into law the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), both of which amended the *Improper Payments Information Act of 2002* (IPIA). IPERA expanded the scope of the IPIA beyond commercial payments to include more payment types, such as grants and cooperative agreements, and benefit and assistance payments. IPERA also required agencies, including the Department of Justice (Department), to report information on improper payments annually to the President and Congress through their *Agency Financial Report* (AFR). IPERIA further expanded the types of payments to be considered, to include employee disbursements and government charge card payments. It also required agencies to have implemented prepayment and pre-award procedures that include verifying all vendor payments through the Do Not Pay system by June 1, 2013.

A more recent law, the *Disaster Relief Appropriations Act* (Disaster Relief Act), signed by the President on January 29, 2013, provided a total of $50.5 billion in aid for Hurricane Sandy disaster victims and their communities. The *Disaster Relief Act* deemed these funds to be susceptible to significant improper payments and requires agencies supporting Hurricane Sandy recovery, and other disaster-related activities, to implement additional internal controls to prevent waste, fraud, and abuse of these funds. Beginning after September 30, 2013, each agency head is required to make an annual certification that the appropriate policies and controls are in place and that corrective actions have been taken to mitigate the risk of fraud and inappropriate spending practices regarding activities and expenses related to Hurricane Sandy disaster relief. Since these funds have been deemed susceptible to significant improper payments, each agency is also required to produce and report an improper payment estimate for the fiscal year 2014 reporting period, to the extent possible.

Agencies are required to assess every federal program and dollar disbursed for improper payment risk, measure the accuracy of payments annually, and initiate program improvements to ensure payment errors are reduced. Specifically, they are required to review all programs and activities and identify those that are susceptible to significant improper payments. 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. Agencies must annually report in the AFR their progress in reducing improper payments. In fiscal year 2014, federal agencies with high risk programs or activities reported $125 billion in estimated improper payments.

In addition to reporting the estimated annual amount of improper payments for programs or activities susceptible to significant improper payments, IPERA 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.

Each fiscal year, the Office of the Inspector General (OIG) of each agency is responsible for determining whether the agency is in compliance with the improper payment reporting requirements, as set forth in Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*; and OMB Circular A-136, *Financial Reporting Requirements*. The OIG is required to complete its assessment and submit a report, within 180 days after issuance of the AFR, on its determination 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.

The OIG's responsibility, as described in OMB Circular A-123, Appendix C, and as related to a compliance examination, is to determine an agency's compliance under IPERA. Compliance under IPERA 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 IPERA (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. If the OIG identifies any non-compliance with the items noted above, these issues are to be documented in the *Independent Report on Compliance under the Improper Payments Elimination and Recovery Act of 2010* and the Department would be deemed to be non-compliant under IPERA.

Additionally, OMB Circular A-123, Appendix C, states that the OIG "may also evaluate the accuracy and completeness of agency reporting, and evaluate agency performance in reducing and recapturing improper payments." The Circular goes on to say, "As part of its report, the agency Inspector General may include its evaluation of agency efforts to prevent and reduce improper payments, and any recommendations for actions to further improve the agency's or program's performance in reducing improper payments; corrective actions; or internal controls." We considered these additional procedures while performing the examination.

The Department reviewed the requirements of IPERA, as well as OMB Circular A-123, Appendix C, and OMB Circular A-136, to collect and publish information on the Department's improper payments as of September 30, 2014 in its AFR (item 1 above). The Department conducted a risk assessment (item 2 above) 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 both 1.5 percent of program outlays and $10 million, or $100 million. Based on the results of its risk assessment, not including Hurricane Sandy disaster relief activities, the Department determined that it did not have any programs or activities that were susceptible to significant improper payments as of September 30, 2014. Under the *Disaster Relief Act* all programs and activities receiving Hurricane Sandy disaster relief funds are automatically deemed susceptible to significant improper payments, regardless of any previous improper payment risk assessment results. Two Department programs received Hurricane Sandy disaster relief funds – the Law Enforcement Program, and Prisons and Detention Program. The Department published a gross estimate (item 3 above) of $0 for its annual amount of improper payments and estimated the improper payment rate (item 6 above) at zero percent for disbursements made with Hurricane Sandy disaster relief funds. As a result of the Department's risk assessment that did not identify any programs or activities to be susceptible to significant improper payments, and for those risk-susceptible activities funded by the Disaster Relief Act, which the Department tested and identified no improper payments, the Department was not required to include the following information in its AFR: programmatic corrective actions plans, and annual reduction targets for programs at risk (items 4 and 5 above, respectively).

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U.S. Department of Justice

Office of the Inspector General

Washington, D.C. 20530

Office of the Inspector General's Independent Report on Compliance under the Improper Payments Elimination and Recovery Act of 2010

United States Attorney General
U.S. Department of Justice

We have examined the Department of Justice's (Department) compliance with the requirements of Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control,* Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments;* and OMB Circular A-136, *Financial Reporting Requirements* as they relate to the *Improper Payments Elimination and Recovery Act of 2010*, for the fiscal year ended September 30, 2014. Management is responsible for the Department's compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the Department's compliance with the requirements described in the preceding paragraph and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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 aforementioned requirements for the fiscal year ended September 30, 2014.

Mark L. Hayes, CPA, CFE
Director, Financial Statement Audit Office
Office of the Inspector General
U.S. Department of Justice

May 6, 2015

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IMPROPER PAYMENTS REPORTING IN THE FISCAL YEAR 2014 DEPARTMENT OF JUSTICE AGENCY FINANCIAL REPORT

Improper Payments Information Act, as Amended, Reporting Details

The Improper Payments Information Act of 2002 (IPIA), as amended, requires agencies to annually report certain information on improper payments to the President and Congress through their annual Agency Financial Report or Performance and Accountability Report.[1] The Department provides the following improper payments reporting details as required by the IPIA, as amended; implementing guidance in OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*; and IPIA reporting requirements in OMB Circular A-136, *Financial Reporting Requirements*.

Item I. Risk Assessment. Briefly describe the risk assessment performed (including the risk factors examined, if appropriate) subsequent to completing a full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on statutory thresholds) identified by the agency risk assessment. Highlight any changes to the risk assessment methodology or results that occurred since the FY 2013 IPIA report.

In accordance with the IPIA, as amended, and OMB implementing guidance, the Department assessed its programs and activities for susceptibility to significant improper payments. The Department's top-down approach for assessing the risk of significant improper payments allows for the analysis and reporting of results by the Department's five mission-aligned programs – Law Enforcement; Litigation; Prisons and Detention; State, Local, Tribal, and Other Assistance; and Administrative, Technology, and Other. The approach promotes consistency across the Department in implementing the expanded requirements of the IPIA, as amended.

In FY 2014, the Department disseminated an updated risk assessment survey instrument for Departmental components to use in conducting the required risk assessment. The instrument examined disbursement activities against eight risk factors, such as payment volume and process complexity, and covered commercial payments, custodial payments, benefit and assistance payments, grants and cooperative agreements, and employee disbursements.[2]

The Department's risk assessment methodology for FY 2014 did not change from FY 2013. For FY 2014, the methodology again included assessing risk against various risk factors and for various payment types. In addition, the results of the FY 2014 risk assessment did not change from FY 2013. For FY 2014, the Department-wide risk assessment again determined there were no programs susceptible to significant improper payments, i.e., improper payments exceeding the thresholds of (1) both 1.5 percent of program outlays and $10 million or (2) $100 million.

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[1] The IPIA was amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).

[2] The eight risk factors examined during the risk assessment were 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; and Capability of Personnel.

In FY 2013, the Department received approximately $20 million under the Disaster Relief Appropriations Act of 2013 (Disaster Relief Act) for Hurricane Sandy relief activities. The Disaster Relief Act provides that all programs and activities receiving funds under the Act shall be deemed to be susceptible to significant improper payments for purposes of IPIA reporting, regardless of any previous improper payment risk assessment results. The OMB implementing guidance requires agencies to report on the funding received under the Act beginning in FY 2014. In accordance with the requirements, the following reporting details address Disaster Relief Act funds as susceptible to significant improper payments.

Item II. Statistical Sampling. Any agency that has programs or activities that are susceptible to significant improper payments shall briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified with a significant risk of improper payments. Highlight any changes to the statistical sampling process that have occurred since the FY 2013 IPIA report.

Based on the results of the FY 2014 Department-wide risk assessment, there were no programs susceptible to significant improper payments. This remains unchanged from FY 2013. Two Departmental programs received Disaster Relief Act funding – the Law Enforcement Program and the Prisons and Detention Program. The following table summarizes, by program, the Departmental components that received Disaster Relief Act funds and amounts received.

Table 1A
Disaster Relief Act Funding

Program (Activities)	Departmental Component	Funds Received
Law Enforcement (Hurricane Sandy Relief Activities)	Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)	$218,500
	Drug Enforcement Administration (DEA)	$950,000
	Federal Bureau of Investigation (FBI)	$9,353,688
Prisons and Detention (Hurricane Sandy Relief Activities)	Bureau of Prisons (BOP)	$9,500,000
Total		$20,022,188

As required by OMB implementing guidance, the Department designed a sampling methodology to obtain a statistically valid estimate of the annual amount of improper payments made with Disaster Relief Act funds. The Department submitted the methodology to OMB for review, and OMB's feedback did not require any updates to the methodology. The sample was designed as a single stage stratified random sample. Payment amounts were used to define the stratum boundaries. A single certainty (or take-all) stratum was used for payment amounts that were large relative to the rest of the data. The remaining payments were stratified based upon payment amounts and randomly selected. The Department provided each component their sample of payments to test, along with guidance describing conditions that would indicate a payment was improper. Due to the limited number of FY 2013 payments associated with the Prisons and Detention Program, 100 percent of payments made with Disaster Relief Act funds for this program were tested, rather than a sample.

The results of testing achieved OMB's required confidence and precision requirements of 90 percent two-sided confidence and plus or minus 2.5 percent margin of error. The results identified no improper payments with Disaster Relief Act funds; therefore, the gross estimate of the annual amount of improper payments is $0, and the estimated improper payment rate is zero percent.

Item III. Corrective Actions. Any agency that has programs or activities that are susceptible to significant improper payments shall describe the corrective action plans for:

A. Reducing the estimated improper payment rate and amount for each type of root cause identified. Agencies shall report root cause information (including error rate and error amount) based on the following three categories: Documentation and Administrative errors; Authentication and Medical Necessity errors; and Verification errors. This discussion must include the corrective actions, planned or taken, most likely to significantly reduce future improper payments due to each type of error an agency identifies, the planned or actual completion date of these actions, and the results of the actions taken to address these root causes. If efforts are ongoing, it is appropriate to include that information in this section and highlight current efforts, including key milestones. Agencies may also report root cause information based on additional categories, or sub-categories, of the three categories listed above, if available.

Not applicable. Based on the results of the FY 2014 Department-wide risk assessment, there were no programs susceptible to significant improper payments. With regard to the risk-susceptible activities funded by Disaster Relief Act funds, testing identified no improper payments; therefore, there was no need for the Department to develop a corrective action plan.

B. Grant-making agencies with risk-susceptible grant programs shall briefly discuss what the agency has accomplished in the area of funds stewardship past the primary recipient. Discussion shall include the status of projects and results of any reviews.

Not applicable. Based on the results of the FY 2014 Department-wide risk assessment, there were no grant programs susceptible to significant improper payments.

Item IV. Improper Payments Reporting.

A. Any agency that has programs or activities that are susceptible to significant improper payments must provide the following information in a table:
- **all risk-susceptible programs must be listed whether or not an error measurement is being reported;**
- **where no measurement is provided, the agency should indicate the date by which a measurement is expected;**
- **if the Current Year (CY) is the baseline measurement year, and there is no Previous Year (PY) information to report, indicate by either "Note" or "N/A" in the PY column;**
- **if any of the dollar amounts included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible;**
- **agencies are expected to report on CY activity, and if not feasible, then PY activity is acceptable if approved by OMB. Agencies should include future year outlay and improper payment estimates for CY+1, +2, and +3 (future year outlay estimates should match the outlay estimates for those years as reported in the most recent President's Budget).**

Based on the results of the FY 2014 Department-wide risk assessment, there were no programs susceptible to significant improper payments. The information in Table 1B on the following page provides the required reporting details for the Departmental activities that received funds under the Disaster Relief Act. The table provides actual outlays (disbursements) for FYs 2013 and 2014, along with estimated outlays for FYs 2015 through 2017. Also, the table provides actual and estimated improper payments through FY 2017. The future year improper payment estimates are based on the results of testing performed in FY 2014. Next year, the future year estimates will be revised if testing in FY 2015 identifies any payments made with Disaster Relief Act funds as improper.

B. Agencies should include the gross estimate of the annual amount of improper payments (i.e., overpayments plus underpayments) and should list the total overpayments and underpayments that make up the current year amount. In addition, agencies are allowed to calculate and report a second estimate that is a net total of both over and under payments (i.e., overpayments minus underpayments). The net estimate is an additional option only and cannot be used as a substitute for the gross estimate.

The information in the following table provides the required reporting details for the Departmental activities that received funds under the Disaster Relief Act. As shown, the gross estimate of the annual amount of improper payments is $0 for FYs 2014 through 2017. Next year, the future year estimates will be revised if testing in FY 2015 identifies any payments made with Disaster Relief Act funds as improper.

Table 1B
Improper Payment Reduction Outlook
(Dollars in Thousands)

Program	FY 2013 Outlays	FY 2013 Improper Payments %	FY 2013 Improper Payments $	FY 2014 Outlays	FY 2014 Improper Payments %	FY 2014 Improper Payments $	FY 2014 Over-payments	FY 2014 Under-Payments
Law Enforcement	$4,007	N/A	N/A	$2,245	0%	$0	$0	$0
Prisons and Detention	$625	N/A	N/A	$1,348	0%	$0	$0	$0

Program	FY 2015 Est. Outlays	FY 2015 Improper Payments %	FY 2015 Improper Payments $	FY 2016 Est. Outlays	FY 2016 Improper Payments %	FY 2016 Improper Payments $	FY 2017 Est. Outlays	FY 2017 Improper Payments %	FY 2017 Improper Payments $
Law Enforcement	$1,989	0%	$0	$2,167	0%	$0	$0	0%	$0
Prisons and Detention	$1,087	0%	$0	$0	0%	$0	$0	0%	$0

Item V. Recapture of Improper Payments Reporting.

A. An agency shall discuss payment recapture audit (or recovery audit) efforts, if applicable. The discussion should describe: the agency's payment recapture audit program; the actions and methods used by the agency to recoup overpayments; a justification of any overpayments that have been determined not to be collectable; and any conditions giving rise to improper payments and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences). If the agency has excluded any programs or activities from review under its payment recapture audit program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency should list those programs and activities excluded from the review, as well as the justification for doing so. Include in the discussion the dollar amount of cumulative recoveries collected beginning with FY 2004.

The Department's payment recapture audit program is part of its overall program of internal control over disbursements. The program includes establishing and assessing internal controls to prevent improper payments, reviewing disbursements to identify improper payments, assessing root causes of improper payments, developing corrective action plans, and tracking the recovery of improper payments and disposition of recovered funds. The Department's top-down approach for tracking and reporting the results of recapture audit activities promotes consistency across the Department in implementing the expanded requirements of the IPIA, as amended. In FY 2014, the Department provided components an updated template to assist them in assessing root causes of improper payments and tracking the recovery of such payments and disposition of recovered funds.

The root causes for overpayments other than for grants largely fell within the OMB-defined error category of Documentation and Administrative, as most errors were user errors, to include data entry errors. Departmental components have implemented actions to address specific areas where improvements could be made. For example, to prevent improper payments, the Drug Enforcement Administration (DEA) conducts data analytics on payment data entered into the Unified Financial Management System (UFMS) prior to processing disbursements to identify payments that, if processed, would be improper, e.g., payments to ineligible recipients, payments for ineligible services, and duplicate payments. To reduce data entry errors, the Federal Bureau of Investigation (FBI) increased its use of electronic billing and consolidation of invoices.

The root causes for grant overpayments also largely fell within the Documentation and Administrative error category, as most involved payments for which grantees did not provide sufficient documentation to support the payments. To reduce the risk of these types of overpayments, the Department's components that issue grants expanded training and communications informing grantees of their responsibilities related to receiving Federal awards. For example, the Office of Justice Programs (OJP) requires all grantees responsible for improper payments to submit written policies and procedures describing the internal controls put in place to prevent similar occurrences in the future.

Departmental components also have taken actions to facilitate the recovery of improper payments. For example, the FBI produces an accounts receivable report to track the age and collection efforts for all uncollected improper payments. The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) issues demand letters to debtors notifying them of the status of the debt, the date payment is due, where to send payment, and the collection actions the ATF can pursue to recover the debt.

In FY 2014, there were 19 overpayments totaling approximately $12,100 that components determined not to be collectable. The vast majority of this amount was due to lengthy resolution efforts being unsuccessful. One improper payment totaling approximately $900 was determined not to be collectable due to fiscal distress. Approximately $8,500 was referred to Treasury for collection.

The Department included employee disbursements in the scope of its payment recapture audit program in accordance with the IPIA, as amended, and OMB implementing guidance applicable for FY 2014. The Department excluded payments to confidential informants because of its responsibility to protect sensitive law enforcement information.

In accordance with the IPIA, as amended, and OMB implementing guidance, the Department measured payment recapture performance. Based on performance through the period ended September 30, 2014, the Department achieved a payment recovery rate of 86 percent for the cumulative period of FYs 2004 through 2014, and an annual recovery rate of 73 percent for FY 2014. Table 2B provided later in this section provides additional detail on the approximate $79.4 million in improper payments identified in FYs 2004 through 2014 and the approximate $68 million of recovered funds.

B. Complete the following tables (if any of this information is not available, indicate by either "Note" or "N/A" in the relevant column or cell):

Note: To allow information to be easily viewable, the Department reformatted the table in OMB Circular A-136 into three separate tables. Table 2A on the following page provides information on the total amount of disbursements subject to review in FY 2014, as well as the total amount reviewed under the Department's payment recapture audit program. As shown in the table, the Department reviewed 100 percent of its FY 2014 disbursements, except for the payments excluded from review as discussed in Item V.A.

Table 2A
Payment Recapture Audit Reporting Scope
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Amount Subject to Review for FY 2014 Reporting	Actual Amount Reviewed and Reported in FY 2014	Percent Reviewed
Administrative, Technology, and Other	Commercial	$588,622	$588,622	100%
	Custodial	$502,684	$502,684	100%
	Employee	$336,780	$336,780	100%
Litigation	Commercial	$50,094	$50,094	100%
	Employee	$6,110	$6,110	100%
Law Enforcement	Commercial	$5,681,408	$5,681,408	100%
	Employee	$8,642,839	$8,642,839	100%
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$196,491	$196,491	100%
	Commercial	$91,048	$91,048	100%
	Grants and Cooperative Agreements	$2,628,511	$2,628,511	100%
	Employee	$108,693	$108,693	100%
Prisons and Detention	Commercial	$4,539,788	$4,539,788	100%
	Employee	$3,745,704	$3,745,704	100%
Total		$27,118,772	$27,118,772	100%

Table 2B on the following page provides the cumulative results of payment recapture audit activities for the 11-year period of FYs 2004 through 2014. As shown in the table, as of the end of FY 2014, the Department had recovered 86 percent of the improper payments identified for recovery. The Department reported a cumulative recovery rate of 89 percent in FY 2013 and 93 percent in FY 2012. As shown in the table, the cumulative recovery rate for employee payments ranged from 54 to 100 percent, and the rate for grants was 62 percent, while the rate for all other types of payments ranged from 91 to 100 percent. The lower recovery rate for employee payments in the Law Enforcement program is attributed in part to statutory limits that extend the time frame for federal salary offsets and timing issues.[3] For example, the FBI identified six improper payments on September 10, 2014, which did not allow enough time for the collection process to be completed by year-end; the improper payments were recovered the next month. The lower recovery rate for grants is attributed in part to factors that extend the time frame for receiving recovered grant funds. Some grantees have been placed on multi-year repayment programs based on ability to pay and other factors.

[3] The amount of federal salary payments that can be offset in a pay period is limited. Only 15 percent of a debtor's disposable pay can be offset, unless the debtor agrees to a higher deduction. 5 U.S.C. § 5514(a)(1); 31 CFR § 285.7(g).

Table 2B
Cumulative Payment Recapture Audit Reporting
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	FYs 2004 through 2014					
		Cumulative Improper Payments Identified for Recovery[4]	Cumulative Improper Payments Determined Not to be Collectable	Cumulative Improper Payments Recovered	Recovery Rate (Percent of Cumulative Improper Payments Recovered out of Cumulative Improper Payments Identified for Recovery)	Cumulative Improper Payments Outstanding	Percent Outstanding (Percent of Cumulative Improper Payments Outstanding out of Cumulative Improper Payments Identified for Recovery)
Administrative, Technology, and Other	Commercial	$3,840	$0	$3,486	91%	$354	9%
	Custodial	$0	$0	$0	N/A	$0	N/A
	Employee	$2	$0	$2	100%	$0	0%
Litigation	Commercial	$6,751	$11	$6,675	99%	$65	1%
	Employee	$15	$0	$13	87%	$2	13%
Law Enforcement	Commercial	$29,656	$33	$29,201	98%	$422	1%
	Employee	$258	$0	$139	54%	$119	46%
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$300	$0	$300	100%	$0	0%
	Commercial	$365	$0	$363	99%	$2	1%
	Grants and Cooperative Agreements	$25,220	$3,686	$15,688	62%	$5,846	23%
	Employee	$0	$0	$0	N/A	$0	N/A
Prisons and Detention	Commercial	$13,064	$62	$12,185	93%	$817	6%
	Employee	$0	$0	$0	N/A	$0	N/A
Total		$79,471	$3,792	$68,052	86%	$7,627	10%

[4] Improper payments identified for recovery did not include all questioned costs. When questioned costs are identified in an OIG audit report or through other means, Departmental management initiates a process to validate whether the costs in question were improper payments; e.g., the Department will request additional support from grantees for transactions that, at the time of audit, were not supported by adequate documentation. The validation process can take months, and in some cases years, to complete. Therefore, for payment recapture audit reporting purposes, improper payments identified for recovery include only the questioned costs for which Departmental management has completed the validation process and determined that the incurred costs should not have been charged to the Government and should be recovered from the grantee.

Table 2C provides the results of payment recapture audit activities separately by current year (FY 2014) and previous years (FYs 2004 through 2013 combined). As shown in the current year section of the table, the commercial improper payments recovered in two programs (State, Local, Tribal, and Other Assistance Program and Prisons and Detention Program) exceeded the improper payments identified for recovery due to the recovery during FY 2014 of improper payments identified in previous years. The lower recovery rate in the Administrative, Technology, and Other Program for commercial payments is attributed to the identification of one improper payment totaling approximately $140,400 on September 25, 2014, which did not allow enough time for the collection process to be completed by year-end.

Table 2C
Payment Recapture Audit Reporting by Current Year and Previous Years
(Dollars in Thousands)

		Current Year (FY 2014)							Previous Years (FYs 2004 through 2013)	
DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate (Percent of Current Year Improper Payments Recovered out of Current Year Improper Payments Identified for Recovery)	Improper Payments Determined Not to be Collectable	Percent of Improper Payments Determined Not to be Collectable out of Improper Payments Identified for Recovery	Improper Payments Outstanding	Percent Outstanding (Percent of Current Year Improper Payments Outstanding out of Current Year Improper Payments Identified for Recovery)	Improper Payments Identified for Recovery	Improper Payments Recovered
Administrative, Technology, and Other	Commercial	$686	$552	80%	$0	0%	$134	20%	$3,154	$2,934
	Custodial	$0	$0	N/A	$0	N/A	$0	N/A	$0	$0
	Employee	$2	$2	100%	$0	0%	$0	0%	$0	$0
Litigation	Commercial	$2,230	$2,214	99%	$1	0%	$15	1%	$4,521	$4,461
	Employee	$15	$13	87%	$0	0%	$2	13%	$0	$0
Law Enforcement	Commercial	$2,160	$2,124	98%	$10	1%	$26	1%	$27,496	$27,077
	Employee	$258	$139	54%	$0	0%	$119	46%	$0	$0
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$290	$290	100%	$0	0%	$0	0%	$10	$10
	Commercial	$2	$4	200%	$0	0%	($2)	(100%)	$363	$359
	Grants and Cooperative Agreements	$9,680	$5,423	56%	$0	0%	$4,257	44%	$15,540	$10,265
	Employee	$0	$0	N/A	$0	N/A	$0	N/A	$0	$0
Prisons and Detention	Commercial	$1,677	$1,702	102%	$1	0%	($26)	(2%)	$11,387	$10,483
	Employee	$0	$0	N/A	$0	N/A	$0	N/A	$0	$0
Total		$17,000	$12,463	73%	$12	0%	$4,525	27%	$62,471	$55,589

If an agency has a payment recapture audit program in place, then the agency is required to establish annual targets to drive their annual performance. The targets shall be based on the rate of recovery. Agencies are expected to report current year amounts and rates, as well as recovery rate targets for three years.

Table 3 provides cumulative (FYs 2004 through 2014) payment recapture audit activities information, current year (FY 2014) information, and recovery rate targets for three years. As mentioned, the lower recovery rate for employee payments in one of the five programs is attributed in part to statutory limits that extend the time frame for federal salary offsets, and the lower rate for grants is attributed in part to factors that extend the time frame for receiving recovered grant funds. In FY 2015, the Department will focus on improving the recovery rate for grants and employee payments, to the extent improvements are within the Department's control, and sustaining the high recovery rates for all other types of payments.

Table 3
Improper Payments Recovery Rates and Targets
(Dollars in Thousands)

		Cumulative (FYs 2004 through 2014)			Current Year (FY 2014)			Recovery Rate Targets		
DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate	Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate	FY 2015	FY 2016	FY 2017
Administrative, Technology, and Other	Commercial	$3,840	$3,486	91%	$686	$552	80%	87%	87%	87%
	Custodial	$0	$0	N/A	$0	$0	N/A	87%	87%	87%
	Employee	$2	$2	100%	$2	$2	100%	85%	85%	85%
Litigation	Commercial	$6,751	$6,675	99%	$2,230	$2,214	99%	87%	87%	87%
	Employee	$15	$13	87%	$15	$13	87%	85%	85%	85%
Law Enforcement	Commercial	$29,656	$29,201	98%	$2,160	$2,124	98%	87%	87%	87%
	Employee	$258	$139	54%	$258	$139	54%	85%	85%	85%
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$300	$300	100%	$290	$290	100%	87%	87%	87%
	Commercial	$365	$363	99%	$2	$4	200%	87%	87%	87%
	Grants and Cooperative Agreements	$25,220	$15,688	62%	$9,680	$5,423	56%	85%	85%	85%
	Employee	$0	$0	N/A	$0	$0	N/A	85%	85%	85%
Prisons and Detention	Commercial	$13,064	$12,185	93%	$1,677	$1,702	102%	87%	87%	87%
	Employee	$0	$0	N/A	$0	$0	N/A	85%	85%	85%
Total		$79,471	$68,052	86%	$17,000	$12,463	73%			

C. In addition, agencies shall report the following information on their payment recapture audit programs, if applicable:

i. An aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding (i.e., overpayments that have been identified but not recovered). Typically, the aging of an overpayment begins at the time the overpayment is detected. Indicate with a note whenever that is not the case.

Table 4 provides the aging schedule for the Department's overpayments that were outstanding (not recovered) as of the end of FY 2014. Of the approximate $1.7 million in overpayments that were outstanding for more than a year, approximately $1.2 million (or approximately 71 percent) have been referred to Treasury for collection.

Table 4
Aging of Cumulative Outstanding Overpayments
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Amount Outstanding (0 to 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)
Administrative, Technology, and Other	Commercial	$156	$0	$198
	Custodial	$0	$0	$0
	Employee	$0	$0	$0
Litigation	Commercial	$52	$3	$10
	Employee	$2	$0	$0
Law Enforcement	Commercial	$385	$6	$31
	Employee	$90	$29	$0
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$0	$0	$0
	Commercial	$2	$0	$0
	Grants and Cooperative Agreements	$4,276	$889	$681
	Employee	$0	$0	$0
Prisons and Detention	Commercial	$43	$0	$774
	Employee	$0	$0	$0
Total		$5,006	$927	$1,694

ii. A summary of how cumulative amounts recovered have been disposed of (if any of this information is not available, indicate by either "Note" or "N/A" in the relevant column or cell).

Table 5 provides the disposition information for the improper payments the Department recovered in FY 2014. As shown in the table, approximately $12.4 million of the approximate $12.5 million recovered (or 99 percent) was returned to the original funds from which the payments were made.

Table 5
Disposition of FY 2014 Recovered Funds
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Improper Payments Recovered in FY 2014	Disposition						
			Returned to Original Fund	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Used for Original Purpose	Office of the Inspector General	Returned to the Treasury
Administrative, Technology, and Other	Commercial	$552	$552						
	Custodial	$0							
	Employee	$2	$2						
Litigation	Commercial	$2,214	$2,214						
	Employee	$13	$13						
Law Enforcement	Commercial	$2,124	$2,124						
	Employee	$139	$139						
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$290	$290						
	Commercial	$4	$3		$1				
	Grants and Cooperative Agreements	$5,423	$5,417						$6
	Employee	$0	$0						
Prisons and Detention	Commercial	$1,702	$1,655		$43				$4
	Employee	$0	$0						
Total		$12,463	$12,409		$44				$10

D. As applicable, agencies should also report on improper payments identified and recovered through sources other than payment recapture audits. For example, agencies could report on improper payments identified through statistical samples conducted under the IPIA; agency post-payment reviews or audits; Office of the Inspector General reviews; Single Audit reports; self-reported overpayments; or reports from the public. Specific information on additional required reporting for contracts is included in Section 7 of OMB memorandum M-11-04, issued in November 2010. Reporting this information is required for FY 2011 reporting and beyond. If previous year information is not available, indicate by either "Note" or by "N/A" in the relevant column or cell.

The Department's payment recapture audit program leverages both internal and external efforts to identify improper payments. The reporting in Tables 2B through 6 is inclusive of all overpayments, regardless of whether they were identified through internal or external sources. Table 6 provides information on the overpayments that were identified in the current year (FY 2014), previous year (FY 2013), and cumulatively (FYs 2011 through 2014) by source, i.e., through internal efforts or by auditors, vendors, or payment recapture audit contractors. The table also provides the recovery information associated with overpayments identified by those sources. The table provides information for FYs 2011 through 2014 only, as agencies were not required to track this level of detail prior to FY 2011.

Table 6
Sources of Identifying Overpayments
(Dollars in Thousands)

	Current Year (FY 2014)		Previous Year (FY 2013)		Cumulative (FYs 2011 through 2014)	
Source	Improper Payments Identified	Improper Payments Recovered	Improper Payments Identified	Improper Payments Recovered	Improper Payments Identified	Improper Payments Recovered
Internal Efforts	$7,010	$5,498	$10,211	$9,376	$25,235	$22,624
Auditors (e.g., by the OIG or audits for OMB Circular A-133)	$7,869	$5,219	$6,520	$3,590	$22,317	$15,043
Vendors	$1,493	$1,473	$4,745	$4,663	$10,437	$10,466
Payment Recapture Audit Contractors	$628	$273	$505	$494	$1,133	$778
Total	$17,000	$12,463	$21,981	$18,123	$59,122	$48,911

Item VI. Accountability. Any agency that has programs or activities that are susceptible to significant improper payments shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the agency head), programs, and States and localities (where appropriate) are held accountable for reducing and recovering improper payments. Specifically, they should be held accountable for meeting applicable improper payments reduction targets and establishing and maintaining sufficient internal controls (including an appropriate control environment) that effectively prevents improper payments from being made and promptly detects and recovers any improper payments that are made.

Not applicable. Based on the results of the FY 2014 Department-wide risk assessment, there were no programs susceptible to significant improper payments. With regard to the funding provided to the Department in FY 2013 by the Disaster Relief Act, which the Act deemed to be susceptible to significant improper payments, the Department performed the required testing in FY 2014 to obtain a statistically valid estimate of the annual amount of improper payments made with Disaster Relief Act funds. The results identified no improper payments, thus the requirement to implement an improper payments reduction plan is not applicable.

Item VII. Agency Information Systems and Other Infrastructure.

A. Describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

The results of the FY 2014 Department-wide risk assessment demonstrated that, overall, the Department has sufficient internal controls over disbursement activities to prevent improper payments.

Department-wide actions to reduce improper payments are accomplished through an aggressive strategy of re-engineering and standardizing business processes, concurrent with the Department's implementation of an integrated financial management system, which is underway. As of the end of FY 2014, all Departmental components reported they had sufficient internal controls, human capital, and the information systems and other infrastructure needed to reduce improper payments to targeted levels.

B. If the agency does not have such internal controls, human capital, and information systems and other infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.

Not applicable. The continued implementation of the Department's integrated financial management system will complement the Department's current infrastructure and capabilities to reduce improper payments.

Item VIII. Barriers. Describe any statutory or regulatory barriers, which may limit the agency's corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

The Department has not identified any statutory or regulatory barriers that limit its corrective actions in reducing improper payments.

Item IX. Additional Comments. Discuss any additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified as a result of IPERA implementation.

The Department recognizes the importance of maintaining adequate internal controls to provide for proper payments and is committed to the continuous improvement of the overall disbursement management process. The Department's top-down approach for implementing the expanded requirements of the IPIA, as amended, promotes consistency across the Department, both with regard to conducting the required risk assessment and for tracking and reporting payment recapture audit activities. In FY 2015, the Department will continue its efforts to further reduce improper payments.

Item X. Agency reduction of improper payments with the Do Not Pay Initiative. The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), Public Law 112–248, requires OMB to submit to Congress an annual report, "which may be included as part of another report submitted to Congress by the Director, regarding the operation of the Do Not Pay Initiative, which shall: (A) include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards and (B) provide the frequency of corrections or identification of incorrect information." To support this requirement, agencies shall provide a brief narrative discussing the agency's actions attributable to the Do Not Pay Initiative and respective databases, to include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; identifying the frequency of corrections or identification of incorrect information; and include completion of the table that follows (Table 7).

The narrative should describe:

A. How the agency has incorporated the IPERIA listed Do Not Pay databases into existing business processes and programs (e.g., online searches, batch processing, or continuous monitoring), or how and when the agency plans to begin using the database, as appropriate. The databases include:

1. **the Death Master File of the Social Security Administration (DMF),**
2. **the General Services Administration's Excluded Parties List System (EPLS) (or the updated System for Award Management (SAM)),**
3. **the Debt Check Database of the Department of the Treasury (Debt Check),**
4. **the Credit Alert System or Credit Alert Interactive Voice Response System of the Department of Housing and Urban Development (CAIVRS),**
5. **the List of Excluded Individuals/Entities of the Office of Inspector General of the Department of Health and Human Services (LEIE), and**
6. **the Prisoner Update Processing System of the Social Security Administration (PUPS), as added to IPERIA by the Bipartisan Budget Act of 2013, Public Law 113–67;**

The Department does not have any loan programs, and its benefit programs consist of payments to recipients who are screened thoroughly during the application process. The Department's vendor payments are made following a review of vendor eligibility in the System for Award Management (SAM), as required by the Federal Acquisition Regulation (FAR). Therefore, the Department's implementation of the Do Not Pay (DNP) Portal has primarily consisted of post-payment screening and vendor table reconciliations. The following table summarizes how the Department uses the IPERIA listed DNP databases.

Table 7A
Department of Justice Use of Do Not Pay Databases

DNP Database	DOJ Use	Comments
Death Master File	Post-payment comparison (including benefits, grants, vendor payments, and employee payments) as part of Payment Integration reporting.	The Department identified two improper payments in FY 2014 made to deceased benefit recipients.
Excluded Parties List System (SAM Exclusions)	Contracting Officers use SAM Exclusions as part of the pre-award vendor screening process. Grant-making components may optionally use SAM Exclusions as part of the grant application review process.	Unavailability of the version of SAM Exclusions containing taxpayer ID information has prevented the Payment Integration process from conclusively matching vendor payments. The Department has not identified any improper payments through Payment Integration or the DNP Portal.
Debt Check Database	Not applicable to DOJ programs.	
Credit Alert Interactive Voice Response System	Not applicable to DOJ programs (no loan programs).	
List of Excluded Individuals/Entities	Not applicable to DOJ programs (except as included in SAM Exclusions and used by Contracting Officers for pre-award vendor screening).	
Prisoner Update Processing System	Not applicable to DOJ programs.	

B. Actions initiated under the Do Not Pay initiative, and the frequency of those actions, to prevent improper payments pre-award/pre-enrollment, pre-payment, and post-payment; this may include agency internal checks (e.g., agencies that receive the DMF directly from SSA), the use of the Treasury "Do Not Pay System," the reconciliation of matches, use of post-payment information to improve preventative control measures, or other actions as appropriate;

Actions to prevent improper payments include:

- Following FAR requirements for pre-award review of vendors (frequency: prior to award of each contract or task order),
- Pre-payment review of grant and benefit applications for appropriateness and authenticity (frequency: before award and payment of grant and benefit disbursements), and
- Post-payment review of any conclusive DMF matches (monthly).

In addition, the Department's ongoing internal control assessment activities for OMB Circular A-123 evaluate the design and operating effectiveness of internal controls related to the procurement, disbursement, and grants management processes to help prevent improper payments.

C. The frequency of corrections or identification of incorrect information provided to original source agencies (as described in OMB Memorandum M-13-20) (Note: this applies only to original source agencies and Treasury); and

The Department is a source agency for CAIVRS. However, during FY 2014, the Department's CAIVRS data was not yet part of the data provided to DNP. Therefore, there have been no corrections or incorrect data identified as part of this process.

D. Include the table reflecting the dollar amounts and the number of payments reviewed for improper payments between October 1 through September 30 (FY). For FY 2014, Agencies should complete the first row of the table by identifying in numbers and dollars reviews only with the DMF.

Table 7B
Implementation of the Do Not Pay Initiative to Prevent Improper Payments
(Dollars in Thousands)

Reviews	Number of Payments Reviewed for Improper Payments	Dollars of Payments Reviewed for Improper Payments	Number of Payments Stopped	Dollars of Payments Stopped	Number of Improper Payments Reviewed and Not Stopped	Dollars of Improper Payments Reviewed and Not Stopped
Reviews with the DMF	1,293,249	$13,069,876	0	$0	2	$125

For reporting purposes, the kind of data in question would include:

1. **Payments reviewed for improper payments: all payments screened by Do Not Pay Initiative or other internal databases, as appropriate, that are disbursed by, or on behalf of, the agency.**
2. **Payments stopped: payments that were intercepted or were not disbursed due to the Do Not Pay Initiative.**
3. **Improper payments reviewed and not stopped: payments that were reviewed by the Do Not Pay databases disbursed, and later identified as improper.**

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