



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



Examination of the U.S. Department of Justice's Fiscal Year 2016 Compliance under the Improper Payments Elimination and Recovery Act of 2010

EXAMINATION OF THE U.S. DEPARTMENT OF JUSTICE'S FISCAL YEAR 2016 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 Enterprise Risk Management and 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, 2016. This examination is required by the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA).

As a result of our examination, we found that the Department complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

Compliance under IPERA means that the agency has:	Department's compliance status
Published an Agency Financial Report (AFR) or Performance and Accountability Report (PAR) for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website.	Compliant
Conducted a program-specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 U.S.C. (if required).	Compliant
Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required).	Compliant
Published programmatic corrective action plans in the AFR or PAR (if required).	Not Required
Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable).	Not Required and Not Applicable
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 PAR.	Compliant

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 AFR, as well as re-performance of calculations computed by the Department.

The Department's annual risk assessment of all programs and activities, not including Hurricane Sandy disaster relief activities, did not identify any to be susceptible to significant improper payments for fiscal years 2015 and 2016. 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. In FY 2016, the Department deemed \$3.078 million of funds disbursed for Hurricane Sandy disaster relief activities susceptible to significant improper payments.

Through payment recapture audits in fiscal year 2016, the Department identified for recovery \$7.917 million and recovered \$7.239 million in improper payments. Outside of payment recapture audits, the OIG through its audits identified \$8.237 million in additional improper payments and the Department recovered \$6.287 million of improper payments. For the fiscal year ended September 30, 2016, the Department achieved an annual improper payment recovery rate of 91 percent.

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.

**EXAMINATION OF THE U.S. DEPARTMENT OF JUSTICE'S
FISCAL YEAR 2016 COMPLIANCE UNDER THE IMPROPER
PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010**

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EXAMINATION OF THE U.S. DEPARTMENT OF JUSTICE'S FISCAL YEAR 2016 COMPLIANCE UNDER THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010

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 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.

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, 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 2016, federal agencies reported \$144 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 Enterprise Risk Management and 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 Section 3321 note 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. 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.

COMPLIANCE STATUS

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, 2016 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, 2016. 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 0 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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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 Enterprise Risk Management and 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, 2016. 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, 2016.

A handwritten signature in black ink, reading "Kelly A. McFadden", is positioned above the printed name.

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

May 10, 2017

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IMPROPER PAYMENTS REPORTING IN THE FISCAL YEAR 2016 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 (AFR) or Performance and Accountability Report (PAR).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. All agencies must assess the improper payment risk level for each program that is not already reporting an improper payment estimate at least once every three years. All programs that are assessed for risk in a given year should be listed in this section. In addition, clearly identify the risk-susceptible programs (i.e., programs that are susceptible to significant improper payments based on statutory thresholds) identified by the agency risk assessments performed in the fiscal year or required by OMB to be included (OMB may determine, on a case-by-case basis, that certain programs that do not meet the statutory threshold requirements may still be subject to the annual reporting requirements). Agencies should briefly describe all of the risk assessments performed in the fiscal year (the risk factors examined should be included in the description). Highlight any changes to the risk assessment methodology or results that occurred since the FY 2015 AFR.

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 2016, the Department disseminated an updated risk assessment survey instrument for Department components to use in assessing risk. The instrument examined disbursement activities against various risk factors, such as payment volume and process complexities, and covered the payment types of contracts, grants, benefits, and other – the latter included custodial payments (payments to non-Federal individuals under programs such as Debt Collection Management) and employee payments (payments to employees for salary, locality pay, travel pay, etc.). In addition, the Department examined overall disbursement activities against some risk factors, such as whether there was a new program for the Department.²

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 risk factors examined by the Department and components included the following – Whether there was a New Program for the Department; Whether Payments or Payment Eligibility Decisions are Made Outside of the Department; Major Changes in Funding, Authorities, Practices, or Procedures; Process Complexities; Volume and Dollar Amount of Payments; Inherent Risk; Capability of Personnel; Results of OMB Circular A-123 Assessment, OIG Audits/Reviews, and Other External Audits/Reviews; Results of Recapture Audit Activities; and Results of Monitoring Activities.

The Department's risk assessment methodology for FY 2016 did not change from FY 2015. For FY 2016, the methodology again included assessing risk against various risk factors and for various payment types. In addition, the results of the FY 2016 risk assessment did not change from FY 2015. For FY 2016, the Department-wide risk assessment again determined there were no programs susceptible to significant improper payments, i.e., improper payments exceeding the statutory thresholds of (1) both 1.5 percent of program outlays and \$10 million or (2) \$100 million.

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 states 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. OMB required agencies to report on the funding received under the Act beginning in FY 2014. In accordance with the requirements, the reporting details in the AFR for FYs 2014 and 2015, and the reporting details that follow for FY 2016 address Disaster Relief Act funds as susceptible to significant improper payments.

Item II. Statistical Sampling. Each agency that has programs or activities that are susceptible to significant improper payments based on statutory thresholds and is reporting an improper payment rate under Item III below shall briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified as being susceptible to significant improper payments. In addition, briefly highlight any changes to any sampling and estimation plans that have occurred since the FY 2015 AFR.

Based on the results of the FY 2016 Department-wide risk assessment, there were no programs susceptible to significant improper payments. This remains unchanged from FY 2015. Two Department programs received Disaster Relief Act funds in FY 2013 – the Law Enforcement Program and the Prisons and Detention Program. Payments made with those funds are subject to the sampling and estimation requirements mentioned above. However, due to the limited number of FY 2015 payments made with Disaster Relief Act funds, the Department chose to test 100 percent of those payments rather than a sample. The results of testing performed in FY 2016 identified no improper payments; therefore, the improper payment rate for payments made with Disaster Relief Act funds is zero percent.

Item III. Improper Payment Reporting.

A. The table that follows (Table 1) is required for each agency that has programs and activities reporting under OMB Circular A-123, Appendix C or for programs that OMB has automatically deemed susceptible to significant improper payments regardless of whether the program or activity has improper payments exceeding the statutory thresholds. Agencies must include the following information:

- all programs susceptible to significant improper payments must be listed whether or not an error measurement is being reported;
- 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);
- reduction targets for out years must be lower than CY improper payment percentages as is implied by the word *reduction*, unless otherwise approved by OMB;
- if a full cycle of complete program measurement has occurred, then a program is expected to estimate an out year target; out year targets are expected for all programs reporting a CY estimate unless the CY estimate does not represent a baseline estimate for the program or the program has been granted relief from reporting;
- agencies shall include the gross estimate of the annual amount of improper payments (i.e., overpayments plus underpayments) and list the total overpayments and underpayments that make up the CY amount;
- to report the total amount row in Table 1, the agency shall sum the total dollar columns

- and then use those totals to calculate the improper payment percentages; and
- when reporting the PY information in Table 1, please note that this information must be identical to the information that was reported in the CY columns in the AFR in the previous year; agencies may not alter their PY outlays, %, or \$ after their AFR is published without first notifying OMB in writing, and if an agency changes PY information, they should include a short explanation for this change.

Based on the results of the FY 2016 Department-wide risk assessment, there were no programs susceptible to significant improper payments. The information in Table 1 provides the required reporting details for the Department activities that received funds under the Disaster Relief Act. The table provides outlays (disbursements) for FYs 2015 and 2016, along with estimated outlays for FYs 2017 through 2019. Also, the table provides actual and estimated improper payments through FY 2019. As shown, the gross estimate of the annual amount of improper payments is \$0 for FYs 2015 through 2019. The future year improper payment estimates are based on the results of testing performed in FY 2016. In FY 2017, the future year estimates will be revised if testing identifies any payments made with Disaster Relief Act funds as improper.

Table 1
Improper Payment Reduction Outlook
(Dollars in Millions)

DOJ Mission-Aligned Program	FY 2015			FY 2016				
	Outlays	Improper Payments %	Improper Payments \$	Outlays	Improper Payments %	Improper Payments \$	Over-payments \$	Under-payments \$
Law Enforcement	\$0.529	0%	\$0	\$2.906	0%	\$0	\$0	\$0
Prisons and Detention	\$1.395	0%	\$0	\$0.172	0%	\$0	\$0	\$0
TOTAL	\$1.924	0%	\$0	\$3.078	0%	\$0	\$0	\$0

DOJ Mission-Aligned Program	FY 2017			FY 2018			FY 2019		
	Est. Outlays	Est. Improper Payments \$	Est. Improper Payments %	Est. Outlays	Est. Improper Payments \$	Est. Improper Payments %	Est. Outlays	Est. Improper Payments \$	Est. Improper Payments %
Law Enforcement	\$2.609	0%	\$0	\$0.000	0%	\$0	\$0.000	0%	\$0
Prisons and Detention	\$0.000	0%	\$0	\$0.000	0%	\$0	\$0.000	0%	\$0
TOTAL	\$2.609	0%	\$0	\$0.000	0%	\$0	\$0.000	0%	\$0

- B. For high-priority programs, agencies shall provide a summary discussing the supplemental measures, the frequency of each supplemental measurement, the measurement baseline, a discussion of how information from this measurement will help the program reduce improper payments, and the actual or planned targets, including any reasons for meeting, exceeding, or failing to meet the supplemental targets.**

Not applicable. OMB has not designated any DOJ programs as high-priority (programs with the most egregious cases of improper payments).

Item IV. Improper Payment Root Cause Categories. Each agency that has programs and activities that have been deemed susceptible to significant improper payments is required to provide an Improper Payment Root Cause Category Matrix (Table 2).

Not applicable. Based on the results of the FY 2016 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 in FYs 2015 and 2016 identified no improper payments; therefore, an analysis and summary of improper payment root causes is not applicable.

Item V. Improper Payment Corrective Actions. Each agency that has programs and activities with improper payments exceeding the statutory thresholds shall identify the reasons their programs and activities are susceptible to significant improper payments and put in place a corrective action plan to reduce them.

Not applicable. Based on the results of the FY 2016 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

Item VI. Internal Controls Over Payments. Each agency that has programs and activities with improper payments exceeding the statutory thresholds is required to briefly summarize the status of internal controls over payments using (1) a single narrative explaining efforts undertaken to provide reasonable assurance that internal controls over payments are in place and operating effectively and (2) a table providing the status of internal controls (Table 3).

Not applicable. Based on the results of the FY 2016 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

Item VII. Accountability. Each agency that has programs and activities with improper payments exceeding the statutory thresholds shall describe the steps the agency has taken and plans to take to ensure that agency managers, accountable officers, programs, and States and localities (where appropriate) are held accountable for reducing and recapturing improper payments. Specifically, they should be held accountable for meeting applicable improper payment reduction targets and establishing and maintaining sufficient internal controls that effectively prevent improper payments from being made and promptly detect and recapture any improper payments that are made.

Not applicable. Based on the results of the FY 2016 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

Item VIII. Agency Information Systems and Other Infrastructure. Each agency that has programs and activities with improper payments exceeding the statutory thresholds shall 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. 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. Based on the results of the FY 2016 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

Item IX. Barriers. Each agency that has programs and activities with improper payments exceeding the statutory thresholds shall describe any statutory or regulatory barriers that may limit the agency's corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

Not applicable. Based on the results of the FY 2016 Department-wide risk assessment, there were no programs and activities with improper payments exceeding the statutory thresholds.

Item X. Recapture of Improper Payments Reporting.

A. Agencies shall discuss payment recapture audit (or recovery auditing) efforts. 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 collectible;**
- **any actions the agency has taken during the current fiscal year or intends to take in future fiscal years to recapture and/or prevent improper payments;**
- **a list of all agency recapture audit contract programs;**
- **any conditions giving rise to improper payments and how those conditions are being resolved; and**
- **any programs or activities excluded from review under the agency's payment recapture audit program (including any programs or activities for which the agency has determined a payment recapture audit program is not cost-effective).**

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 recapture of improper payments and disposition of recaptured funds. The scope of the program includes all payment types required by the IPIA, as amended, and OMB implementing guidance. Payments to confidential informants are excluded because of the Department's responsibility to protect sensitive law enforcement information. In FY 2016, three components used a recapture audit contractor to supplement internal review efforts to detect improper payments.

The Department's top-down approach for tracking and reporting the results of payment recapture audit activities promotes consistency across the Department in implementing the expanded requirements of the IPIA, as amended. In FY 2016, the Department provided components an updated template to assist them in assessing root causes of improper payments and tracking the recapture of such payments and disposition of recaptured funds.

The root causes for overpayments other than for grants largely fell within the OMB-defined error category of *Administrative or Process Error Made by Federal Agency*. Most errors were user errors, including data entry errors. Department components have implemented actions to address specific areas where improvements could be made. For example, to prevent improper payments, the DEA conducts data analytics on payment data entered into the Unified Financial Management System 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 FBI increased its use of electronic billing and consolidation of invoices.

The root causes for grant overpayments largely fell within the OMB-defined error categories of *Administrative or Process Error Made by State or Local Agency* and *Administrative or Process Error Made by Other Party*. Most errors 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 components that issue grants expanded training and communications informing grantees of their responsibilities related to receiving Federal awards. For example, the 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.

Department components also have taken actions to facilitate the recapture 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 ATF issues demand letters to debtors notifying them of the status of the debt, the payment due date, where to send payment, and the collection actions the ATF can pursue.

In FY 2016, there were 34 overpayments totaling approximately \$1.758 million that components determined not to be collectible. The vast majority of these (\$1.741 million or 99 percent) were related to expenditures by grantees that were determined not to be collectible due to fiscal distress. Also, there were 2 overpayments totaling \$.612 million referred to the Treasury for collection that they determined not to be collectible.

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, 2016, the Department achieved an annual payment recapture rate of 91.4 percent.³ Table 4 on the following page provides additional detail on the approximate \$7.917 million in improper payments identified in FY 2016 through the Department's payment recapture audit program and the approximate \$7.239 million of recaptured funds.

B. Agencies shall complete Table 4. Include each program or activity that expends \$1 million or more annually and either conducts a payment recapture audit or recaptures payments outside of a payment recapture audit.

Table 4 on the following page provides a summary of overpayments identified in FY 2016 through the Department's payment recapture audit activities, as well as overpayments identified outside of such activities, i.e., through audits conducted by the DOJ OIG.⁴ The table also provides the annual payment recapture rates for all payment types included in the Department's payment recapture audit program. The rates ranged from 86.4 percent for grants (up from 47.7 percent in FY 2015) to 93.5 percent for benefits (down from 100 percent in FY 2015). In FY 2017, the Department will continue to focus on improving the recapture rate for grants.

³ The 91.4 percent annual payment recapture rate is the cumulative rate for all payment types.

⁴ The overpayments identified through audits conducted by the OIG do not include all questioned costs. When questioned costs are identified in an OIG audit report, Department 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 recapture include only the questioned costs for which Department management has completed the validation process and determined that the incurred costs should not have been charged to the Government and should be recaptured from the grantee.

Table 4
Overpayment Recaptures with and without Recapture Audit Programs
(Dollars in Millions)

DOJ Mission-Aligned Program	Overpayments Recaptured through Payment Recapture Audits														
	Contracts					Grants					Benefits				
	Amount Identified	Amount Recaptured	FY 2016 Recapture Rate	FY 2017 Target	FY 2018 Target	Amount Identified	Amount Recaptured	FY 2016 Recapture Rate	FY 2017 Target	FY 2018 Target	Amount Identified	Amount Recaptured	FY 2016 Recapture Rate	FY 2017 Target	FY 2018 Target
Administrative, Technology, and Other	\$0.218	\$0.218	100%	88%	89%	N/A ⁵	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Litigation	\$1.624	\$1.617	99.6%	88%	89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Law Enforcement	\$1.170	\$0.823	70.3%	88%	89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State, Local, Tribal, and Other Assistance	\$0.005	\$0.005	100%	88%	89%	\$1.022	\$0.883	86.4%	85%	86%	\$0.768	\$0.718	93.5%	88%	89%
Prisons and Detention	\$2.361	\$2.318	98.2%	88%	89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	\$5.378	\$4.981	92.6%	88%	89%	\$1.022	\$0.883	86.4%	85%	86%	\$0.768	\$0.718	93.5%	88%	89%

DOJ Mission-Aligned Program	Overpayments Recaptured through Payment Recapture Audits (continued)								Overpayments Recaptured outside of Payment Recapture Audits ⁷	
	Other ⁶					Total (all payment types)				
	Amount Identified	Amount Recaptured	FY 2016 Recapture Rate	FY 2017 Target	FY 2018 Target	Amount Identified	Amount Recaptured	Amount Identified	Amount Recaptured	
Administrative, Technology, and Other	\$0.000	\$0.000	-	87%	88%	\$0.218	\$0.218	\$0.000	\$0.000	
Litigation	\$0.071	\$0.071	100.0%	86%	87%	\$1.695	\$1.688	\$0.598	\$0.166	
Law Enforcement	\$0.668	\$0.578	86.5%	86%	87%	\$1.838	\$1.401	\$0.000	\$0.000	
State, Local, Tribal, and Other Assistance	\$0.000	\$0.000	-	86%	87%	\$1.795	\$1.606	\$7.639	\$4.343	
Prisons and Detention	\$0.010	\$0.008	80.0%	86%	87%	\$2.371	\$2.326	\$0.000	\$1.778	
TOTAL	\$0.749	\$0.657	87.7%	86%	87%	\$7.917	\$7.239	\$8.237	\$6.287	

⁵ A response of *N/A* indicates the payment type is not applicable for the program.

⁶ The payment type of *Other* includes custodial payments (payments to non-Federal individuals under programs such as Debt Collection Management) and employee payments (payments to employees for salary, locality pay, travel pay, etc.).

⁷ The information in this section of the table provides the overpayments identified through audits conducted by the DOJ OIG and the amounts recaptured. Although the overpayments are identified outside of the Department's payment recapture audit program, component processes to recapture improper payments are the same, regardless of whether they are identified by the OIG or through component payment recapture audit activities.

C. Agencies shall report the following information on their overpayments recaptured through payment recapture audits:

- i. a summary of how amounts recaptured through payment recapture audits in the current year have been disposed of (Table 5).**

Table 5 provides the disposition information for the overpayments recaptured in FY 2016 through the Department’s payment recapture audit activities. As shown in the table, \$7.233 million of the \$ 7.239 million recaptured (or 99 percent) was returned to the original fund from which the payments were made.

Table 5
Disposition of Funds Recaptured through Payment Recapture Audits
(Dollars in Millions)

DOJ Mission-Aligned Program	Payment Type (includes only the types with overpayments)	Amount Recaptured in FY 2016	Disposition		
			Returned to Original Fund	Payment Recapture Auditor Fees	Returned to the Treasury
Administrative, Technology, and Other	Contracts	\$0.218	\$0.218	\$0.000	\$0.000
	Other	\$0.000	\$0.000	\$0.000	\$0.000
Litigation	Contracts	\$1.617	\$1.617	\$0.000	\$0.000
	Other	\$0.071	\$0.071	\$0.000	\$0.000
Law Enforcement	Contracts	\$0.823	\$0.823	\$0.000	\$0.000
	Other	\$0.578	\$0.578	\$0.000	\$0.000
State, Local, Tribal, and Other Assistance	Contracts	\$0.005	\$0.005	\$0.000	\$0.000
	Grants	\$0.883	\$0.883	\$0.000	\$0.000
	Benefits	\$0.718	\$0.718	\$0.000	\$0.000
	Other	\$0.000	\$0.000	\$0.000	\$0.000
Prisons and Detention	Contracts	\$2.318	\$2.312	\$0.000	\$0.006
	Other	\$0.008	\$0.008	\$0.000	\$0.000
TOTAL		\$7.239	\$7.233	\$0.000	\$0.006

- ii. 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 recaptured (Table 6).**

The Department’s payment recapture audit program data covers the cumulative period of FYs 2004 through 2016. Table 6 on the following page provides the aging schedule for the overpayments identified through payment recapture audit activities that were outstanding (not recaptured) as of the end of FY 2016. Of the \$ 2.890 million in overpayments that were outstanding more than a year, approximately \$.794 million (or approximately 27 percent) has been referred to the Treasury for collection.

Table 6
Aging of Outstanding Overpayments Identified in Payment Recapture Audits
(Dollars in Millions)

DOJ Mission-Aligned Program	Payment Type (includes only the types with outstanding improper payments)	Amount Outstanding (0 to 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount Determined to Not be Collectible
Administrative, Technology, and Other	Contracts	\$0.000	\$0.000	\$0.355	\$0.000
	Other	\$0.000	\$0.000	\$0.004	\$0.000
Litigation	Contracts	\$0.007	\$0.000	\$0.291	\$0.000
	Other	\$0.000	\$0.000	\$0.001	\$0.000
Law Enforcement	Contracts	\$0.092	\$0.284	\$0.113	\$0.000
	Other	\$0.150	\$0.048	\$0.113	\$0.000
State, Local, Tribal, and Other Assistance	Grants	\$0.046	\$0.094	\$1.996	\$0.208
	Contracts	\$0.050	\$0.000	\$0.000	\$0.000
Prisons and Detention	Contracts	\$0.232	\$0.016	\$0.017	\$0.612
	Other	\$0.002	\$0.000	\$0.000	\$0.000
TOTAL		\$0.579	\$0.442	\$2.890 (of which \$.794 million has been referred to the Treasury for collection)	\$0.820

Item XI. Additional Comments. Agencies may provide additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified as a result of IPIA, IPERA, and/or IPERIA 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 2017, the Department will continue its efforts to further reduce improper payments.

Item XII. Agency Reduction of Improper Payments with the Do Not Pay Initiative. IPERIA requires pre-payment and pre-award reviews by each agency to determine program or award eligibility and to prevent improper payments before the release of any Federal funds. The procedures must ensure that a thorough review on eligibility occurs with relevant information of available databases.

IPERIA also requires OMB to submit to the 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, all agencies shall provide a brief narrative discussing the agency’s actions attributable to the Do Not Pay Initiative and respective databases on an annual basis, regardless of the agency’s susceptibility to improper payments. This narrative shall include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; identify the frequency of corrections or identification of incorrect information; and include the table summarizing the results of the Do Not Pay Initiative in preventing improper payments (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, continuous monitoring, etc.) or how and when the agency plans to begin using the databases, as appropriate. Agencies should list their efforts separately from the screening of payments performed through the tools offered by the Treasury Do Not Pay Business Center (e.g., agencies that receive death data directly from SSA). The databases include:
- the Death Master File of the Social Security Administration (DMF);
 - the General Services Administration's Excluded Parties List System (EPLS) or the updated System for Award Management (SAM);
 - the Debt Check Database of the Department of the Treasury (Debt Check);
 - the Credit Alert System or Credit Alert Interactive Voice Response System of the Department of Housing and Urban Development (CAIVRS);
 - the List of Excluded Individuals/Entities of the Office of Inspector General of the Department of Health and Human Services (LEIE); and
 - 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 benefits and compensation paid to recipients who are screened thoroughly during the application process. Examples of benefit and compensation payment programs include the Public Safety Officers' Benefits program, Radiation Exposure Compensation Program, and September 11th Victim Compensation Fund. The Department uses conclusive matching against the Excluded Parties List System (SAM Exclusions) to identify vendors who may need to be deactivated from system vendor tables. Contracting Officers use SAM Exclusions as part of the pre-award vendor screening process, as required by the Federal Acquisition Regulation. Grant-making components may optionally use SAM Exclusions as part of the grant application review process.

In FY 2015, the Department began a Do Not Pay Initiative pilot involving a limited number of United States Attorneys' Offices. A goal of the pilot was to prevent improper payments made from the Judgment Fund – a fund administered by the Department of the Treasury that is available to pay compromise settlements in lieu of a lawsuit. The pilot involves pre-screening payments data against the Death Master File database, as well as a non-IPERIA listed Do Not Pay database, to identify payments that, if made, would be improper.⁸ After achieving success through the pilot, the Department expanded the pilot in FY 2016 to 64 United States Attorneys' Offices. By the end of FY 2017, it is anticipated that all 94 United States Attorneys' Offices will have the capability to pre-screen Judgment Fund payments data.

⁸ Judgment Fund payments data are pre-screened against a non-IPERIA listed database maintained by the Office of Foreign Asset Control, a financial intelligence and enforcement agency of the Department of the Treasury charged with planning and execution of economic and trade sanctions in support of United States national security and foreign policy objectives.

The following table summarizes how the Department uses the IPERIA listed Do Not Pay databases, if applicable.

**Table 7.1
Department of Justice Use of Do Not Pay Databases**

Do Not Pay Database	DOJ Use
Death Master File	Post-payment comparison (including benefits/compensation, grants, vendor payments, and employee payments) as part of Payment Integration reporting. Pre-screening by 64 United States Attorneys' Offices of Treasury Judgment Fund payments.
Excluded Parties List System (SAM Exclusions)	DOJ uses conclusive matching against SAM Exclusions to identify vendors who may need to be deactivated from system vendor tables. Contracting Officers use SAM Exclusions as part of the pre-award vendor screening process, as required by the Federal Acquisition Regulation. Grant-making components may optionally use SAM Exclusions as part of the grant application review process.
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. how the agency has incorporated databases not listed in IPERIA into existing business processes and programs to prevent improper payments (e.g., online searches, batch processing, or continuous monitoring).

As mentioned, the United States Attorneys' Offices pre-screening of Treasury Judgment Fund payments data includes a non-IPERIA listed database maintained by the Treasury Department, and the pre-screening is performed with a goal of preventing improper payments.

C. any process improvements attributable to the Do Not Pay Initiative for the previous FY (e.g., improved controls over awards, reduction in FTE required for monitoring, or improvements in review documentation), as appropriate.

The expansion in FY 2016 of the pre-screening of Treasury Judgment Fund payments has provided an additional level of control for 64 of the 94 United States Attorneys' Offices.

D. 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 to original source agencies and Treasury.)

The Department is an original source agency for data in CAIVRS. To date, the Department has not been made aware of nor identified any incorrect information in CAIVRS that requires correction.

- E. a thoughtful analysis linking agency efforts in establishing internal controls and reducing improper payment rates through the Do Not Pay Initiative, as appropriate. When applicable, this analysis will link the improper payments caused by failing to verify appropriate data prior to payment reported in the Improper Payment Root Cause Category Matrix (Table 2) above to reviews with databases (whether included in IPERIA or not) in Table 7; and**

The Do Not Pay Initiative has served to reinforce existing internal controls. For example, when a vendor is discovered through continuous monitoring to have a conclusive match with the SAM Exclusions database, staff review the vendor record in the relevant financial system table and take appropriate action to prevent improper payments to the vendor in the future. This process reinforces the existing control, i.e., the review by Contracting Officers of a vendor’s status in SAM.

In FY 2016, the Department reported two improper payments for the Radiation Exposure Compensation Program. For each payment, program staff had reviewed the Social Security Administration’s Death Master File before approving the payment; however, the recipient died between the date of review and date of payment.

- F. include the table (Table 7) reflecting the dollar amounts and number of payments reviewed for improper payments between October 1, 2015 through September 30, 2016 (FY 2016). Agencies should complete the table, in numbers and dollars, with payment reviews for all databases, and state the databases used for payment screening (whether included in IPERIA or not).**

The following table summarizes the Department’s results for FY 2016 of the Do Not Pay Initiative in preventing improper payments.

Table 7
Results of the Do Not Pay Initiative in Preventing Improper Payments
October 1, 2015 – September 30, 2016
 (\$ in Millions)

Reviews	Number of Payments Reviewed for Possible Improper Payments	Dollars of Payments Reviewed for Possible Improper Payments	Number of Payments Stopped	Dollars of Payments Stopped	Number of Potential Improper Payments Reviewed and Determined Accurate	Dollars of Potential Improper Payments Reviewed and Determined Accurate
Reviews with the IPERIA Listed Databases (DMF and SAM Exclusions)	1,446,681	\$16,965.152	0	\$0	69	\$2.058
Reviews with Databases Not Listed in IPERIA	Data not available during pilot	\$0.000	0	\$0	0	\$0.000

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