EXAMINATION OF THE DEPARTMENT OF JUSTICE'S FISCAL YEAR 2013 COMPLIANCE WITH THE IMPROPER PAYMENTS INFORMATION ACT OF 2002, AS AMENDED

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

Report 14-22
April 2014

EXAMINATION OF THE DEPARTMENT OF JUSTICE'S FISCAL YEAR 2013 COMPLIANCE WITH THE IMPROPER PAYMENTS INFORMATION ACT OF 2002, AS AMENDED

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 Measurement and Remediation of Improper Payments;* and OMB Circular A-136, *Financial Reporting Requirements*, for the fiscal year ended September 30, 2013. 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 annually reviewed all programs and activities and did not identify any to be susceptible to significant erroneous payments for the cumulative period of fiscal years 2004 through 2013. During fiscal year 2013, the Department identified for recovery approximately $22 million in improper payments and recovered approximately $18.1 million of improper payments. For the cumulative period, the Department achieved an overall payment recovery rate of 89 percent; with approximately $62.5 million in improper payments identified and approximately $55.6 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 fiscal year 2013 *Agency Financial Report*, 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, 2013.

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EXAMINATION OF THE DEPARTMENT OF JUSTICE'S FISCAL YEAR 2013 COMPLIANCE WITH THE IMPROPER PAYMENTS INFORMATION ACT OF 2002, AS AMENDED

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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).[1] 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 its *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 implement prepayment and preaward 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 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. Since these funds have been deemed susceptible to 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 erroneous payments. For those programs or activities that are deemed susceptible to significant erroneous 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 erroneous payments. The agency must annually report and note in the AFR the progress of reducing estimates of improper payments in its programs and activities. In fiscal year 2013, federal agencies with high risk programs or activities reported $106 billion in estimated improper payments.

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

[1] Unless otherwise noted, the usage of the term "IPIA" will imply "IPIA, as amended by IPERA and IPERIA."

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 its payment recapture audit programs that will drive its 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 Measurement 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 120 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 with IPIA. Compliance with IPIA 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 IPIA (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 has met, annual reduction targets for each program assessed to be at risk and measured for improper payments (if required); (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 required); and (7) reported information on its efforts to recapture improper payments. If the OIG identifies any non-compliance with the items noted above, these issues are to be documented in the *Independent Report on Compliance with the Improper Payments Information Act of 2002, As Amended* and the Department would be deemed to be non-compliant with IPIA.

Additionally, OMB Circular A-123, Appendix C, states that the OIG "should 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 should 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." We considered these additional procedures while performing the examination.

The Department reviewed the requirements of IPIA, 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, 2013 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 OMB thresholds of both 2.5 percent of program outlays and $10 million, or $100 million. Based on the results of its risk assessment, the Department determined that it did not have any programs that were susceptible to significant improper payments as of September 30, 2013. As a result, the Department was not required to include the following information in its AFR: improper payment estimates, programmatic corrective actions plans, annual reduction targets for programs at risk, and a gross improper payment rate for each program and activity at risk (items 3 through 6 above). Nevertheless, as required, the Department reported on its efforts to recapture improper payments in the AFR (item 7 above).

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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 with the Improper Payments Information Act of 2002, As Amended

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 Measurement and Remediation of Improper Payments;* and OMB Circular A-136, *Financial Reporting Requirements* as they relate to the *Improper Payments Information Act of 2002*, as amended, for the fiscal year ended September 30, 2013. 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, 2013.

ML Hayes

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

March 27, 2014

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IMPROPER PAYMENTS REPORTING IN THE FISCAL YEAR 2013 DEPARTMENT OF JUSTICE AGENCY FINANCIAL REPORT

Improper Payments Information Act, as Amended, Reporting Details

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), 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 Measurement 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 2012 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 2013, 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 nine risk factors, such as payment volume and process complexity, and covered commercial payments, custodial payments, benefit and assistance payments, and grants and cooperative agreements.[2]

The Department's risk assessment methodology for FY 2013 did not change from FY 2012. For FY 2013, the methodology again included assessing risk against various risk factors and for various

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[1] A more recent law, the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), also amended the IPIA. The new reporting requirements from the IPERIA are effective beginning in FY 2014; therefore, the Department will begin addressing them in its IPIA reporting for FY 2014.

[2] The nine risk factors examined during the risk assessment were Policies and Procedures; Results of OMB Circular A-123 Assessment, OIG Audits/Reviews, and Other External Audits/Reviews; Corrective Actions; Results of Monitoring Activities; Results of Recapture Audit Activities; Process Complexities; Volume and Dollar Amount of Payments; Control Risk; and Capability of Personnel.

payment types. In addition, the results of the FY 2013 risk assessment did not change from FY 2012. For FY 2013, 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 2.5 percent of program outlays and $10 million or (2) $100 million.

In FY 2013, the Department received approximately $20 million of funding under the Disaster Relief Appropriations Act of 2013 (Disaster Relief Act). 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. In accordance with the OMB implementing guidance, the Department will begin reporting on the risk-susceptible funding in the Department's IPIA reporting for FY 2014.

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 2012 IPIA report.

Not applicable. Based on the results of the FY 2013 Department-wide risk assessment, there were no programs susceptible to significant improper payments. This remains unchanged from FY 2012. 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 will begin reporting on the funding in the Department's IPIA reporting for FY 2014 in accordance with the OMB implementing guidance.

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 2013 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 will begin reporting on the funding in the Department's IPIA reporting for FY 2014 in accordance with the OMB implementing guidance.

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 2013 Department-wide risk assessment, there were no programs susceptible to significant improper payments, to include grant programs. With regard to the funding provided to the Department in FY 2013 by the Disaster Relief Act, none was for grant programs.

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 or, if not feasible, 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).**

Not applicable. Based on the results of the FY 2013 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 will begin reporting on the funding in the Department's IPIA reporting for FY 2014 in accordance with the OMB implementing guidance.

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 overpayments and underpayments (i.e., overpayments minus underpayments). The net estimate is an additional option only and cannot be used as a substitute for the gross estimate.

Not applicable. Based on the results of the FY 2013 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 will begin reporting on the funding in the Department's IPIA reporting for FY 2014 in accordance with the OMB implementing guidance.

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 2013, 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 2013, approximately $3.76 million of overpayments were determined not to be collectable. The vast majority of this amount, $3.69 million or 98 percent, was due to lengthy resolution efforts concluding that four grantees were unable to repay the full amount of overpayments due to fiscal distress. One grantee had gone out of business, and the other three grantees have been restricted from receiving new grant awards for the period of time set forth in policy pertaining to such matters.

The Department excluded employee disbursements and intra-governmental payments from the scope of its payment recapture audit program in accordance with the IPIA, as amended, and OMB implementing guidance applicable for FY 2013. The Department also 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, 2013, the Department achieved a payment recovery rate of 89 percent for the cumulative period of FYs 2004 through 2013, and an annual recovery rate of 82 percent for FY 2013. Table 1B provided later in this section provides additional detail on the approximate $62.5 million in improper payments identified in FYs 2004 through 2013 and the approximate $55.6 million of recovered funds.

B. Complete the tables below (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 1A provides information on the total amount of disbursements subject to review in FY 2013, 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 2013 disbursements, except for the payments excluded from review as discussed in Item V.A.

Table 1A
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 2013 Reporting	Actual Amount Reviewed and Reported in FY 2013	Percent Reviewed
Administrative, Technology, and Other	Commercial	$598,863	$598,863	100%
	Custodial	$416,166	$416,166	100%
Litigation	Commercial	$705,846	$705,846	100%
Law Enforcement	Commercial	$5,450,959	$5,450,959	100%
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$137,220	$137,220	100%
	Commercial	$98,705	$98,705	100%
	Grants and Cooperative Agreements	$3,321,044	$3,321,044	100%
Prisons and Detention	Commercial	$4,593,581	$4,593,581	100%
Total		**$15,322,384**	**$15,322,384**	**100%**

Table 1B provides the cumulative results of payment recapture audit activities for the ten-year period of FYs 2004 through 2013. As shown in the table, as of the end of FY 2013, the Department had recovered 89 percent of the improper payments identified for recovery. The Department reported a cumulative recovery rate of 93 percent in FY 2012 and 86 percent in FY 2011. As shown in the table, the cumulative recovery rate for grants was 66 percent, while the cumulative recovery rate for all other types of payments ranged from 92 to 100 percent. The lower recovery rate for grants is attributed in part to factors that extend the time frame for receiving recovered grant funds. For example, some grantees have been placed on multi-year repayment programs based on ability to pay and other factors.

Table 1B
Cumulative Payment Recapture Audit Reporting
(Dollars in Thousands)

		FYs 2004 through 2013					
DOJ Mission-Aligned Program	**Type of Payment** (includes only the types made per program)	**Cumulative Improper Payments Identified for Recovery**[3]	**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	$3,154	$0	$2,934	93%	$220	7%
	Custodial	$0	$0	$0	N/A	$0	N/A
Litigation	Commercial	$4,522	$10	$4,461	99%	$51	1%
Law Enforcement	Commercial	$27,495	$22	$27,077	98%	$396	1%
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$10	$0	$10	100%	$0	0%
	Commercial	$363	$0	$359	99%	$4	1%
	Grants and Cooperative Agreements	$15,540	$3,686	$10,265	66%	$1,589	10%
Prisons and Detention	Commercial	$11,386	$61	$10,483	92%	$842	7%
Total		**$62,470**	**$3,779**	**$55,589**	**89%**	**$3,102**	**5%**

[3] Improper payments identified for recovery do not include all questioned costs. When questioned costs are identified in an OIG audit report or through some 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.

Table 1C provides the results of payment recapture audit activities separately by current year (FY 2013) and previous years (FYs 2004 through 2012 combined). As shown in the current year section of the table, the improper payments recovered in the Litigation Program exceeded the improper payments identified for recovery due to the recovery during FY 2013 of improper payments identified in previous years. The lower recovery rate in the State, Local, Tribal, and Other Assistance Program for commercial payments is attributed to the identification of two improper payments totaling approximately $3,800 on September 25, 2013, which did not allow enough time for the collection process to be completed by year-end; the improper payments were recovered the next month.

Table 1C
Payment Recapture Audit Reporting by Current Year and Previous Years
(Dollars in Thousands)

		Current Year (FY 2013)							Previous Years (FYs 2004 through 2012)	
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	$1,893	$1,698	90%	$0	0%	$195	10%	$1,261	$1,236
	Custodial	$0	$0	N/A	$0	N/A	$0	N/A	$0	$0
Litigation	Commercial	$1,125	$1,157	103%	$10	1%	($42)	(4%)	$3,397	$3,304
Law Enforcement	Commercial	$9,463	$9,260	98%	$0	0%	$203	2%	$18,032	$17,817
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$0	$0	N/A	$0	N/A	$0	N/A	$10	$10
	Commercial	$6	$2	33%	$0	0%	$4	67%	$357	$357
	Grants and Cooperative Agreements	$6,581	$3,189	48%	$3,686	56%	($294)	(4%)	$8,959	$7,076
Prisons and Detention	Commercial	$2,913	$2,817	97%	$61	2%	$35	1%	$8,473	$7,666
Total		**$21,981**	**$18,123**	**82%**	**$3,757**	**17%**	**$101**	**1%**	**$40,489**	**$37,466**

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 2 provides cumulative (FYs 2004 through 2013) payment recapture audit activities information, current year (FY 2013) information, and recovery rate targets for three years. As mentioned, the lower recovery rate for grants is attributed in part to factors that extend the time frame for receiving recovered grant funds. In FY 2014, the Department will continue focusing on improving the recovery rate for grants and sustaining the high recovery rates for all other types of payments.

Table 2
Improper Payments Recovery Rates and Targets
(Dollars in Thousands)

		Cumulative (FYs 2004 through 2013)			Current Year (FY 2013)			Recovery Rate Targets[4]		
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 2014**	**FY 2015**	**FY 2016**
Administrative, Technology, and Other	Commercial	$3,154	$2,934	93%	$1,893	$1,698	90%	85%	85%	85%
	Custodial	$0	$0	N/A	$0	$0	N/A	85%	85%	85%
Litigation	Commercial	$4,522	$4,461	99%	$1,125	$1,157	103%	85%	85%	85%
Law Enforcement	Commercial	$27,495	$27,077	98%	$9,463	$9,260	98%	85%	85%	85%
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$10	$10	100%	$0	$0	N/A	85%	85%	85%
	Commercial	$363	$359	99%	$6	$2	33%	85%	85%	85%
	Grants and Cooperative Agreements	$15,540	$10,265	66%	$6,581	$3,189	48%	85%	85%	85%
Prisons and Detention	Commercial	$11,386	$10,483	92%	$2,913	$2,817	97%	85%	85%	85%
Total		**$62,470**	**$55,589**	**89%**	**$21,981**	**$18,123**	**82%**			

[4] Recovery rate targets were adjusted in FY 2012 to 85 percent for all programs, consistent with OMB guidance.

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 3 provides the aging schedule for the Department's overpayments that were outstanding (not recovered) as of the end of FY 2013. Of the approximate $1.3 million in overpayments that were outstanding for more than a year, approximately $1.2 million (or 92 percent) have been referred to Treasury for collection.

Table 3
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	$154	$46	$20
	Custodial	$0	$0	$0
Litigation	Commercial	$13	$1	$37
Law Enforcement	Commercial	$341	$2	$53
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$0	$0	$0
	Commercial	$4	$0	$0
	Grants and Cooperative Agreements	$946	$38	$605
Prisons and Detention	Commercial	$85	$148	$609
Total		**$1,543**	**$235**	**$1,324**

ii. **A summary of how recovered amounts 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 4 provides the disposition information for the improper payments the Department recovered in FY 2013. As shown in the table, approximately $16.8 million of the approximate $18.1 million recovered (or approximately 93 percent) was returned to the original funds from which the payments were made.

Table 4
Disposition of FY 2013 Recovered Funds
(Dollars in Thousands)

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Improper Payments Recovered in FY 2013	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	$1,698	$1,698						
	Custodial	$0							
Litigation	Commercial	$1,157	$1,157						
Law Enforcement	Commercial	$9,260	$9,260						
State, Local, Tribal, and Other Assistance	Benefit and Assistance	$0							
	Commercial	$2	$2						
	Grants and Cooperative Agreements	$3,189	$3,189						
Prisons and Detention	Commercial	$2,817	$1,522						$1,295
Total		**$18,123**	**$16,828**						**$1,295**

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 a "Note."

The Department's payment recapture audit program leverages both internal and external efforts to identify improper payments. The reporting in Tables 1B through 5 is inclusive of all overpayments, regardless of whether they were identified through internal or external sources. Table 5 provides information on the overpayments that were identified in the current year (FY 2013), previous year (FY 2012), and cumulatively (FYs 2011 through 2013) 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 2013 only, as agencies were not required to track this level of detail prior to FY 2011.

Table 5
Sources of Identifying Overpayments
(Dollars in Thousands)

Source	Current Year (FY 2013)		Previous Year (FY 2012)		Cumulative (FYs 2011 through 2013)	
	Improper Payments Identified	Improper Payments Recovered	Improper Payments Identified	Improper Payments Recovered	Improper Payments Identified	Improper Payments Recovered
Internal Efforts	$10,211	$9,376	$2,766	$3,442	$18,225	$17,126
Auditors (e.g., by the OIG or audits for OMB Circular A-133)	$6,520	$3,590	$2,017	$2,943	$14,447	$9,823
Vendors	$4,745	$4,663	$2,722	$2,671	$8,944	$8,993
Payment Recapture Audit Contractors	$505	$494	$0	$0	$505	$506
Total	**$21,981**	**$18,123**	**$7,505**	**$9,056**	**$42,121**	**$36,448**

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 2013 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 will begin reporting on the funding in the Department's IPIA reporting for FY 2014 in accordance with the OMB implementing guidance.

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 2013 Department-wide risk assessment demonstrated that, overall, the Department has sufficient internal controls over disbursement activities to prevent improper payments. The assessment identified no programs susceptible to significant 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 2013, all Departmental components reported that 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 that 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 ensure 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 IPERA 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 2014, the Department will continue its efforts to further reduce improper payments, as well as improve the recovery rate for grants.

STATUS OF PRIOR YEAR'S COMMENT AND RECOMMENDATIONS

As required by *Government Auditing Standards* issued by the Comptroller General of the United States, we have evaluated whether the Department has taken appropriate corrective action to address the comment and recommendations from the prior year's compliance examination. The following table provides the Office of the Inspector General report number where the comment was reported, the recommendations for improvement, and the status of previously identified recommendations as of the end of fiscal year 2013.

Report	Comment	Recommendation	Status
Examination of the Department of Justice's Fiscal Year 2012 Compliance With the Improper Payments Information Act of 2002, Report No. 13-16	Internal Controls over Financial Reporting Need to be Strengthened	**Recommendation No. 1:** Perform additional analytical procedures, across fiscal years, on the information reported in the Agency Financial Report to identify unusual fluctuations that could indicate a reporting error.	Completed
		Recommendation No. 2: Enhance the quality control review process to ensure accurate data is reported and perform a completeness check of data fields provided in the components' tracking spreadsheets to identify any "blank" fields that cause incorrect calculations or result in information not being pulled into the consolidated file.	Completed