

# APPENDIX E

## STATUS OF IMPROPER PAYMENTS: IMPROPER PAYMENT INFORMATION ACT (IPIA) REPORTING DETAILS

**Item I. Describe your agency's risk assessment(s), performed subsequent to compiling your full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on OMB guidance thresholds) identified through your risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular, A-11.**

Based on Department-wide risk assessments, except for the U.S. Marshals Service (USMS), comprised of Independent Audit Reports, Internal Control Reviews, Inspector General Reviews, and Recovery Audit Activities, no significant risk programs in which improper payments exceed both 2.5 percent of program payments and \$10 million have been identified. The USMS did not establish a program to assess, identify, and track improper payments nor has it implemented a Recovery Audit Program.

**Item II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.**

No significant risk programs in which improper payments exceed both 2.5 percent of program payments and \$10 million have been identified. The USMS did not establish a program to assess, identify, and track improper payments nor has it implemented a Recovery Audit Program.

**Item III. Describe the Corrective Action Plans for:**

**A. Reducing the estimated rate of improper payments.**

**Include in this discussion what is seen as the cause(s) of errors and the corresponding steps necessary to prevent future occurrences. If efforts are already underway, and/or have been ongoing for some length of time, it is appropriate to include that information in this section.**

No significant risk programs in which improper payments exceed both 2.5 percent of program payments and \$10 million have been identified. The USMS did not establish a program to assess, identify, and track improper payments nor has it implemented a Recovery Audit Program.

**B. Grant-making agencies with risk susceptible grant programs. Discuss what your agency has accomplished in the area of funds stewardship past the primary recipient. Include the status on projects and results of any reviews.**

No significant risk programs in which improper payments exceed both 2.5 percent of program payments and \$10 million have been identified. The USMS did not establish a program to assess, identify, and track improper payments nor has it implemented a Recovery Audit Program.

**Item IV. The table below is required for each reporting agency. Please note the following changes from prior year reporting: (1) all risk susceptible programs must be listed in this chart whether or not an error measurement is being reported; (2) where no measurement is provided, agency should indicate the date by which a measurement is expected; (3) if the Current Year (CY) is the baseline measurement year, indicate by either footnote or by "n/a" in the Prior Year (PY) column; (4) if any of the dollar amount(s) 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; (5) include outlay estimates for CY +1, +2, and +3; and (5) agencies are expected to report on CY activity, and if not feasible, then PY activity is acceptable.**

No significant risk programs in which improper payments exceed both 2.5 percent of program payments and \$10 million have been identified. The USMS did not establish a program to assess, identify, and track improper payments nor has it implemented a Recovery Audit Program.

**Item V. Discuss your agency’s recovery auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences. In addition, complete the table below.**

Amount subject to Review for FY 05 Reporting	Actual Amount Reviewed and Reported	Amounts Identified for Recovery	Amounts Identified / Actual Amount Reviewed	Amounts recovered CY	Amounts recovered PY(s)
\$6,667,804,071	\$4,606,639,213	\$1,044,320	0.023%	\$765,086	\$995,662

Department-wide, four components are utilizing the task order with FedSource for recovery audit services. The Department’s audit recovery firm continues to review payment records and identify erroneous payments. Erroneous payments have been identified through three activities: review of statements requested from vendors, review of disbursements, and review of contract compliance. In light of service contract compliance overpayments, the following steps have been taken: daily checking of attendance sheets; matching of attendance lists against lists of people who should be at each site; and a more detailed invoice form together with greater scrutiny in invoice review.

In addition, the Department has developed internal recovery audit programs, which include reports that identify potential erroneous payments that must be researched and system enhancements that identify potential erroneous payments prior to actual payment. Internal control procedures have been developed that define improper payments, provide a methodology for identifying improper payments, establish a tracking system that identifies the cause of the improper payment, and provide procedures for feedback and monitoring. Preventive and detective controls are in place to ensure payments are legal, proper, and correct. The utilization of the Central Contractor Registration database to verify current bank account information is underway.

The Offices, Boards and Divisions conduct a quarterly internal audit review in order to enhance and maintain financial controls. This review is conducted by the Quality Control and Compliance Group, which is part of the Finance Staff, Justice Management Division (JMD). One element of this review is to examine disbursements. This review process along with the annual financial audit, systemic controls and Departmental policy form the basis of the internal controls for the Offices, Boards, and Divisions.

Specific steps taken by Bureaus include: ATF’s use of statistical sampling, auditing and a checklist for travel vouchers; FBI’s review of data entry by separate personnel, continual audit of contracts by program auditors, and monthly field office audits; and DEA’s planned establishment, in early FY 2006, of a Financial Analysis and Reporting Unit to research duplicate payments and potential duplicate payments and to counsel staff at sites.

As a result of weaknesses identified in last year’s IPIA reports, the Director, JMD Finance Staff, asked for the Department’s Office of the Inspector General to perform its own review of the Department’s compliance with the IPIA and the National Defense Authorization Act for FY 2002, Subchapter VI-Recovery Audits. The Department is using the results of OIG Audit Report 05-19, *Department of Justice Process for Identifying, Preventing, and Recovering Improper and Erroneous Payments*, dated April 2005, to improve its processes. Guidance has been issued to ensure consistency in compliance and reporting.

**Item VI. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.**

The Assistant Attorney General for Administration (AAG/A) has required the implementation of IPIA and recovery audit activities and has developed Department-wide policies and procedures for assessing program risks and actions to reduce erroneous payments.

The AAG/A holds agency managers accountable for reducing and recovering improper payments. In addition, the AAG/A encourages and supports proper training for employees involved in all levels of the payment process. Policies and procedures are in place establishing preventive controls to ensure payments are legal, proper, and correct.

## **Item VII.**

### **A. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.**

Department-wide efforts continue along with other infrastructure needs to reduce improper payments by demonstrating an aggressive strategy of reengineering and standardizing business practices concurrent with the implementation of a new unified financial management system. The unified system will be a commercial off-the-shelf financial management system product(s) certified by the Joint Financial Management Improvement Program as meeting core federal financial management system requirements.

In addition to the Department-wide effort to standardize practices and implement a unified financial system, the Offices, Boards and Divisions along with the Bureau of Prisons have system controls built into their current financial system. These controls are designed to prevent improper payments from being made and if an improper payment is made to provide the tools necessary to identify and recover the improper payment. Beyond the system controls, the Offices, Boards and Divisions conduct quarterly internal audit reviews. During these reviews the Quality Control and Compliance Group conducts tests that include looking for duplicate or improper payments. Finally, as part of the Department's annual financial audit the components controls are tested again to see if any improper payments have been made.

### **B. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its FY 2006 budget submission to Congress to obtain the necessary information systems and infrastructure.**

Not applicable.

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

The DOJ has not identified any statutory or regulatory barriers that may limit the agencies' corrective actions in reducing improper payments.

## **Item IX. Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.**

No additional comments at this time.