

APPENDIX C

Improper Payments Information Act Reporting Details

Item I. Describe the risk assessment(s) performed subsequent to the agency completing its 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 the agency's risk assessment(s). Be sure to include the programs previously identified in the former Section 57 of Circular A-11 (now located in Circular A-123, Appendix C).

In accordance with the Improper Payments Information Act (IPIA) and OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, the Department assessed its programs and activities for susceptibility to significant improper payments. The Department's implementation of a top-down approach in FY 2007 to perform the assessment allowed Departmental management to focus on the Department's most significant programs and activities in terms of risk and materiality. The approach promoted consistency across components and enhanced internal controls related to preventing, detecting, and recovering improper payments. In conjunction with implementing the top-down approach, the Department developed and disseminated guidance for conducting the required risk assessment, along with a risk assessment survey instrument for components to use in capturing information on ten risk factors, such as payment volume and process complexity. The instrument covered commercial payments, as well as intra-governmental payments, employee disbursements, and grant payments.

Based on the results of the Department-wide risk assessment for the period ending September 30, 2007, the Department concluded there were no programs with a significant risk of improper payments exceeding the OMB thresholds of 2.5 percent of program payments and \$10 million.

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

Not applicable. Based on the results of the Department-wide risk assessment, the Department concluded there were no programs susceptible to improper payments exceeding both 2.5 percent of program payments and \$10 million.

Item III. Describe the Corrective Action Plans for:

- A. Reducing the estimate rate and amount of improper payments for each type of category of error. This discussion must include the corrective action(s) for each different type or cause of error and the corresponding steps necessary to prevent future recurrence. If efforts are ongoing, it is appropriate to include that information in this section.**

Not applicable. The results of the Department-wide risk assessment demonstrated that, overall, the Department has sufficient internal controls over disbursement processes, the dollar amount of improper payments is not material, and the risk of significant improper payments is low. Nonetheless, as mentioned above, the Department further enhanced its IPIA efforts this year by implementing a top-down approach, providing guidance and tools for performing the required risk assessment, and actively working with each of the Department's components to identify and implement additional procedures to prevent, detect, and reduce improper payments.

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

Not applicable. The Department-wide risk assessment concluded there were no risk-susceptible grant programs.

Item IV. Program Improper Payment Reporting

The table below is required for each reporting agency. Agencies must include the following information: (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, the 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 note 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 (6) agencies are expected to report on CY activity or, if not feasible, PY activity is acceptable. (Future year outlay estimates (CY+1, +2 and +3) 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 Department-wide risk assessment, the Department concluded there were no programs susceptible to improper payments exceeding both 2.5 percent of program payments and \$10 million.

Item V. Recovery Auditing Reporting

- A. 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.**

The Department's recovery auditing program is part of its overall program of effective internal control over contract payments. The recovery auditing program includes preventive and detective controls to ensure payments are legal, proper, and correct. For example, the Department's policies pertaining to the Recovery Auditing Act and IPIA provide a methodology for identifying improper payments; establish a system to monitor improper payments and their causes; and include controls and actions for preventing, detecting, and recovering improper payments.

In addition to the controls established by the Department, components have taken specific actions to recoup improper payments and prevent further occurrences of such payments. For example, the DEA's Financial Analysis and Reporting Unit provides guidance to staff at payment sites and analyzes disbursements to identify potential improper payments; the FBI reviews disbursements during monthly, quarterly, and semi-annual field office audits to identify potential improper payments; and the OJP analyzes a management tracking report monthly to identify such payments.

In order to maintain and enhance financial controls within the Department's Offices, Boards and Divisions, the Justice Management Division's Quality Control and Compliance Group conducts periodic internal reviews of financial controls. One aspect covered in these reviews is an examination of disbursements, to include tests for improper payments. The review process, along with systemic controls and Departmental policies, form the basis of controls to detect improper payments within the Offices, Boards and Divisions and prevent further occurrences.

In FY 2007, the Department continued to supplement internal recovery auditing activities with contracted services to maximize the identification and collection of improper payments. The Department reimburses the contracted recovery auditing costs from the funds recovered by the contractor. The cost of the Department's recovery auditing program in FY 2007 totaled approximately \$198,570. Internal and external costs are provided in the following table.

Department of Justice FY 2007 Recovery Auditing Program Costs	
Internal Costs (Department Salaries and Expenses)	\$130,242
External Costs (Contracted Services)	\$ 68,328
Total	\$198,570

B. Complete the table below.

Recovery Auditing Reporting Current Year (FY 2007) and Prior Years (FYs 2004 through 2006)							
Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)
\$12,302,104,754	\$9,841,791,745 (80 percent)	\$4,241,765	\$3,777,628 (89 percent)	\$3,681,860	\$3,495,169 (95 percent)	\$7,923,625	\$7,272,797 (92 percent)

Note: Reported amounts are based on data available as of September 30, 2007. Certain contract payments at foreign offices are excluded, as they are processed by the Department of State.

As shown in the table, in FY 2007, the Department's recovery auditing activities identified for recovery approximately \$4.2 million in improper commercial payments out of the \$9.8 billion of commercial payments reviewed (.04 percent). Based on improved monitoring and recovery efforts, a total of approximately \$3.8 million (or 89 percent) was recovered in FY 2007, an increase of more than \$2 million over the amounts recovered in FY 2006.

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 has implemented IPIA and recovery auditing policies and controls throughout the Department that cover preventing, detecting, and recovering improper payments. The Department holds managers accountable for reducing and recovering improper payments through performance ratings and the internal financial management scorecard.

Item VII. Agency Information Systems and Other Infrastructure

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 to reduce improper payments through an aggressive strategy of re-engineering and standardizing business practices, concurrent with the implementation of an integrated financial management system. The integrated system is a commercial-off-the-shelf system that meets core federal financial management systems requirements.

In addition to the Department's efforts to reduce improper payments, individual components have controls built into their existing financial systems which are designed to prevent improper payments and identify such payments so that recovery actions can be initiated.

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

Not applicable. The planned integrated financial management system, when implemented throughout the Department, will complement the Department's current infrastructure and capabilities to reduce improper payments.

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

The Department has not identified any statutory or regulatory barriers which limit its 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.

The Department's FY 2007 implementation of a top-down approach for IPIA compliance promoted consistency across components and further enhanced internal controls and activities designed to prevent, detect, and recover improper payments. As mentioned previously, implementing a top-down approach allows the Department to focus on its most significant programs and activities in terms of risk and materiality.

Additional Departmental IPIA efforts in FY 2007 included disseminating updated policy and procedures pertaining to the Department's recovery auditing program. The policy and procedures reinforce requirements and provide further guidance to promote consistency throughout the Department in implementing IPIA and Recovery Auditing Act requirements, identifying and correcting causes of improper payments, and instituting activities to recover such payments