

APPENDIX B

Improper Payments Information Act Reporting Details

Item I. Describe the risk assessment 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.

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 has implemented a top-down approach that assesses risk from a Department-wide perspective, allowing management to focus on the most significant programs and activities in terms of risk and materiality. The approach promotes consistency across components and enhances internal control 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, 2009, 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 estimated rate and amount of improper payments for each type of root cause of error. This discussion must include the corrective actions most likely to significantly reduce future improper payments due to each type of error. If efforts are ongoing, it is appropriate to include that information in this section and highlight current efforts.**

The results of the Department-wide risk assessment demonstrated that, overall, the Department has sufficient internal control over disbursement processes, the dollar amount of improper payments is not material, and the risk of significant improper payments is low. Nonetheless, Departmental components have implemented procedures that include identifying the root causes of errors to ensure corrective actions will be appropriate to prevent recurrence of improper payments. For example, DEA developed and implemented the use of an electronic form on its Intranet, *Notification of Erroneous Payment*, that personnel at payment sites must complete for any improper payment identified. Data to be reported on the form include the underlying cause(s) of the improper payment and corrective actions planned to prevent recurrence. The FBI's efforts to prevent and reduce improper payments also include identifying the causes of errors, i.e., its post-payment audit procedures specifically address the need to correct root causes of errors. Other examples of corrective actions and ongoing

efforts to reduce future improper payments are described in Item V, *Recovery Auditing Reporting*, and Item VII, *Agency Information Systems and Other Infrastructure*.

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:

- i. all risk-susceptible programs must be listed in this chart whether or not an error measurement is being reported;
- ii. where no measurement is provided, the agency should indicate the date by which a measurement is expected;
- iii. if the Current Year (CY) is the baseline measurement year, indicate by either note or by N/A in the Prior Year (PY) column;
- iv. 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;
- v. include outlay estimates for CY+1, +2, and +3; and
- vi. agencies are expected to report on CY activity or, if not feasible, PY activity is acceptable.

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 recover 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 disbursements. 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 implementing the controls established by the Department, components have taken specific actions to enhance their disbursement processes and associated internal controls to prevent further occurrences of improper payments. For example, FPI assembled an accounts payable project team to implement end-to-end automation of the disbursement process, including document automation, reconciliation, voucher posting, and workflow approval.

All of the Department's components' internal review activities include reviews of disbursements that test for improper payments. For example, for the Department's Offices, Boards and Divisions, the

Justice Management Division's Quality Control and Compliance Group conducts periodic reviews of financial internal controls that include tests for improper payments.

B. Complete the table below.

Summary of Recovery Program Activities Current Year (FY 2009) and Prior Years (FYs 2004 through 2008)							
Amount Subject to Review for FY 2009 Reporting	Actual Amount Reviewed FY 2009	Amount Identified for Recovery FY 2009	Amount Recovered FY 2009	Amount Identified for Recovery Prior Years	Amount Recovered Prior Years	Cumulative Amount Identified for Recovery (FY 2009 + Prior Years)	Cumulative Amount Recovered (FY 2009 + Prior Years)
\$9,878,904,000	\$9,878,904,000 (100 percent)	\$7,215,553	\$6,536,361	\$9,556,780	\$8,519,583	\$16,772,333	\$15,055,944 (90 percent)

As shown in the table, for the cumulative reporting period of FY 2004 through FY 2009, the Department has recovered approximately \$15.1 million or 90 percent of the total amount of improper commercial payments identified for recovery, up from 89 percent at FY 2008 year end.

Item VI. Describe the steps the agency has taken and plans to take to ensure agency managers 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. As mentioned previously, the dollar amount of the Department's improper payments is not material, and the risk of significant improper payments is low. Nonetheless, the Department holds managers accountable for reducing and recovering improper payments through performance ratings. In addition, the Department requires components to provide a report on recovery auditing activities so component progress on reducing and recovering improper payments can be monitored. Data required to be reported includes the amounts of total payments, total payments reviewed for improper payments, improper payments identified for recovery, improper payments recovered, and improper payments remaining to be recovered; the root causes of improper payments; and corrective actions taken or planned to resolve issues timely and effectively.

In addition to the Department's measures to hold managers accountable for reducing and recovering improper payments, some components have established additional accountability measures. For example, for internal reviews conducted by BOP's Program Review Office, it is the responsibility of the Chief Executive Officer of each site reviewed to address each deficiency in the program review final report and provide an explanation of the corrective action taken to resolve the deficiencies.

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 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 and scheduled to be implemented across Departmental components within the next five years. In addition to the Department's actions to reduce improper payments, individual components have built controls into their financial systems that are designed to prevent improper payments and identify such payments so recovery actions can be initiated. For example, ATF's financial system validates that the same invoice number has not been used previously by a vendor when a subsequent invoice from that vendor is being processed for payment.

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 integrated financial management system, when fully implemented across the Department, will complement the Department's current infrastructure and capabilities to reduce improper payments.

Item VIII. 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, if any, on overall agency efforts, specific programs, best practices, or common challenges identified as a result of IPIA implementation.

The Department's continued use of a top-down approach for IPIA compliance promotes consistency across components and enhances internal controls and activities designed to prevent, detect, and recover improper payments. As mentioned previously, use of 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 2009 included providing a workshop to reinforce requirements and promote consistency throughout the Department with regard to IPIA compliance. The workshop focused on conducting and documenting the required IPIA risk assessment and reporting the data needed for the Department's annual Performance and Accountability Report.