

# APPENDIX C

## Improper Payments Information Act Reporting Details

**Item I. Describe your agency's risk assessment(s) performed subsequent to completing 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.**

In accordance with IPIA, the Department assessed its programs and activities for susceptibility to significant improper payments using a variety of methods, including component-conducted internal control reviews, Department-conducted OMB Circular A-123 internal control testing, OIG reviews and audits, and improper payment recovery audits. In FY 2005, the Department reported the U.S. Marshals Service (USMS) non-compliant in the area of performing risk assessments as well as establishing a program to assess, identify, and track improper payments. In FY 2006, the USMS corrected this and performed risk assessments comprised of Independent Audit Reports, Internal Control reviews, and Inspector General Reviews. They also established a Recovery Audit Program and use the services of the Department's recovery audit program contractor. Based on the results of the risk assessments for the period ending September 30, 2006, the Department concluded there were no programs susceptible to improper payments exceeding both 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 risk assessments, 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 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.**

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

- 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.**

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

**Item IV. 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, your 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 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 and, if not feasible, then Prior Year 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 risk assessments, the Department concluded there were no programs susceptible to improper payments exceeding both 2.5 percent of program payments and \$10 million.

**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 2006 Reporting	Actual Amount Reviewed and Reported FY 2006	Amounts Identified for Recovery FY 2006	Amounts Identified / Actual Amount Reviewed	Amounts Recovered FY 2006	Amounts Recovered Prior Years
\$11,310,442,377	\$8,001,909,847	\$1,851,709	0.0231%	\$1,734,421	\$1,760,748

The Department has preventive and detective controls in place to ensure payments are legal, proper, and correct. For example, the Department’s *Recovery Audit Programs and the Improper Payments Information Act* policy defines improper payments, provides a methodology for identifying improper payments, establishes a system to track improper payments and their causes, and provides methods for monitoring improper payments and obtaining feedback. In addition, the Department developed recovery audit programs that include automated functions and reports that identify potential improper payments prior to actual payment. Some components of the Department use sampling when reviewing the payments. Overall, the Department reviewed 73% of the total amount subject to review for FY 2006 reporting. The figure in the column titled “Amounts Recovered Prior Years” in the table above is the total of all of the Department’s past year’s recoveries.

In order to maintain and enhance financial controls within the Offices, Boards and Divisions, the Quality Control and Compliance Group, which is part of the Finance Staff, Justice Management Division, conducts a quarterly internal review. One aspect covered in the quarterly review is an examination of disbursements, to include tests for improper payments. The quarterly review process, along with the annual financial statement audit, systemic controls, and Departmental policy, form the basis of controls to detect improper payments within the Offices, Boards and Divisions and prevent further occurrences.

Specific steps taken by the components to prevent further occurrences of improper payments include the DEA’s establishment of a Financial Analysis and Reporting Unit to provide guidance to staff at payment sites and analyze disbursements, including contract payments and potential duplicate payments; FBI’s review of disbursements during monthly, quarterly, and semi-annual field office audits to ensure payments are reviewed and made properly; and OJP’s development of a management tracking report that is analyzed monthly to identify improper payments.

In FY 2006, the Department and individual components continued to supplement internal recovery activities with contract services to maximize the identification and collection of improper payments. To further increase the benefit to the Department in FY 2007, efforts are underway to obtain additional security clearances for some contract recovery personnel to allow continued expansion of recovery activities. The cost of the Department’s recovery audit program in FY 2006 totaled \$467,016. Internal and external costs were as follows:

<b>Internal Costs (Salaries and Expenses)</b>	\$415,924
<b>External Costs (Contractor)</b>	\$ 51,092
<b>Total</b>	<b>\$467,016</b>

Note: The external costs are paid from actual recoveries. The internal costs include salary, benefits and overhead of employees involved in recovery audit activities.

**Item VI. Describe the steps your 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 (AAGA) has implemented IPIA and recovery audit activities and developed Department-wide policies and procedures for assessing program risks and actions to reduce improper payments.

The AAGA holds agency managers accountable for reducing and recovering improper payments. In addition, the AAGA encourages and supports proper training for employees involved in all levels of the disbursement process.

The Department holds managers accountable for reducing and recovering improper payments through performance ratings, requiring them to develop corrective action plans as a result of internal control weaknesses, requiring periodic certification of accounts payables and accounts receivables, and implementation of an internal financial management scorecard.

**Item VII.**

**A. Describe whether your 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 will be a commercial-off-the-shelf financial management system that meets core federal financial management systems requirements. These Department-wide efforts are supplemented by the annual financial statement audit, which includes tests of component controls to determine whether improper payments have been made.

In addition to the Department-wide efforts to reduce improper payments, the Offices, Boards and Divisions, along with the Bureau of Prisons, have system controls built into their current financial systems. These controls are designed to prevent improper payments from being made and, if an improper payment is made, provide the tools necessary to identify and recover the payment. Beyond the system controls, the payment activities of the Offices, Boards and Divisions are reviewed quarterly. During these reviews, the Justice Management Division's Quality Control and Compliance Group conducts tests to determine whether improper payments have been made.

**B. If your agency does not have such systems and infrastructure, describe the resources your agency requested in its FY 2007 budget submission to Congress to obtain the necessary information systems and infrastructure.**

Not applicable. Department-wide improper payments with the current infrastructure amounted to less than three hundredths of one percent (.0231%) in FY 2006, based on the sampled transactions. 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 your agency's corrective actions in reducing improper payments and actions taken by your 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.**

In FY 2006, the Department issued policy supplementing IPIA requirements, as well as requirements in the Recovery Auditing Act regarding the identification of payment errors and recovery of amounts erroneously paid. The Department's policy reinforces requirements and provides 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.