



EXAMINATION OF THE DEPARTMENT OF JUSTICE FISCAL YEAR 2011 COMPLIANCE WITH THE IMPROPER PAYMENTS INFORMATION ACT OF 2002

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

Report 12-19
March 2012

EXAMINATION OF THE DEPARTMENT OF JUSTICE FISCAL YEAR 2011 COMPLIANCE WITH THE IMPROPER PAYMENTS INFORMATION ACT OF 2002

EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) examined the U.S. Department of Justice's (Department) compliance with 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, 2011. This examination is required by the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010*.

Office of the Inspector General Examination Approach

The OIG conducted the examination and prepared the report in accordance with attestation standards established by the American Institute of Certified Public Accountants and those 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.

Results in Brief

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 *Performance and Accountability Report (PAR)*, as well as a re-performance of calculations computed by the Department.

Conclusion and Recommendations

We found that the Department complied, in all material respects, with the *Improper Payments Information Act of 2002*, as amended, for the fiscal year ended September 30, 2011. While we did not identify any significant deficiencies or material weaknesses, we did identify two matters to consider for future PAR reporting, presented as comments in Appendix I. These comments relate to: (1) ensuring all OMB-required fields pertaining to current year payment recapture activity are presented in future submissions, and (2) expanding the discussion of questioned costs as they relate to the identification and recapture of improper payments. These comments do not materially affect the report and have been presented along with four recommendations to enhance future reporting of improper payments and recoveries. These recommendations include that the Department perform a quality control review of improper payment information presented in the PAR to ensure all of the reporting requirements are appropriately addressed and that the Department include a more detailed discussion of unresolved questioned costs.

**EXAMINATION OF THE DEPARTMENT OF JUSTICE
FISCAL YEAR 2011 COMPLIANCE WITH THE
IMPROPER PAYMENTS INFORMATION ACT OF 2002**

TABLE OF CONTENTS

	<u>PAGE</u>
BACKGROUND.....	1
INDEPENDENT REPORT ON THE DEPARTMENT OF JUSTICE FISCAL YEAR 2011 COMPLIANCE WITH THE IMPROPER PAYMENTS INFORMATION ACT OF 2002	5
APPENDIX I: COMMENTS AND RECOMMENDATIONS	7
APPENDIX II: IMPROPER PAYMENTS REPORTING IN THE FISCAL YEAR 2011 DEPARTMENT OF JUSTICE PERFORMANCE AND ACCOUNTABILITY REPORT	17

This page intentionally left blank.

Background

On July 22, 2010, the President of the United States signed into law the *Improper Payments Elimination and Recovery Act of 2010 (IPERA)*, 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. In fiscal years 2011 and 2010, federal agencies reported \$115 billion and \$125 billion in estimated improper payments, respectively. IPERA requires agencies, including the Department of Justice (Department), to annually report information on improper payments to the President and Congress through their Performance and Accountability Report (PAR).

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 and activities that are deemed susceptible to significant erroneous payments, 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 PAR the progress of reducing estimates of improper payments in its programs and activities. In addition, IPERA 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-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 their payment recapture audit programs that will drive their 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 the 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*. Once it has completed its assessment, the OIG is required to complete its review within 120 days after

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

issuance of the PAR, 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 the Office of Management and Budget.

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 a PAR 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 IPERA (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 PAR (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 PAR (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 the Department of Justice Fiscal Year 2011 Compliance with the Improper Payments Information Act of 2002* and the Department would be deemed to be not 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 two reporting matters that were identified from these additional procedures, however, did not affect the determination of compliance in the *Independent Report on the Department of Justice Fiscal Year 2011 Compliance with the Improper Payments Information Act of 2002*, but were documented in *Appendix I: Comments and Recommendations*.

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, 2011 in its PAR (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, 2011. As a result, the Department was not required to include the following information in its PAR: 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). The Department reported on its efforts to recapture improper payments in the PAR (item 7 above).

This page intentionally left blank.



**Independent Report on the Department of Justice
Fiscal Year 2011 Compliance with the
Improper Payments Information Act of 2002**

United States Attorney General
U.S. Department of Justice

We have examined the Department of Justice's (Department) compliance with 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*, pursuant to the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010*, for the fiscal year ended September 30, 2011. Management is responsible for the Department's compliance with those requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestations 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 those requirements 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.

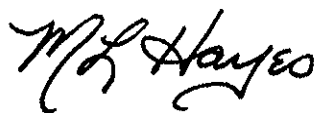
In our opinion, the Department complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2011.

In planning and performing our examination of the Department's compliance with OMB requirements, we considered the Department's internal control over compliance (internal control) as a basis for designing our examination procedures for the purpose of expressing our opinion, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control that results in more than a remote likelihood that a material misstatement of the subject matter will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the fourth paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our examination, we noted two reporting matters that resulted in four recommendations for your consideration in Appendix I. These comments and recommendations, which have been discussed with the appropriate members of the Department's management, are intended to enhance future reporting of improper payments and recoveries.



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

March 8, 2012

COMMENTS AND RECOMMENDATIONS

The enactment of the *Improper Payments Elimination and Recovery Act of 2010* (IPERA), which amended the *Improper Payments Information Act of 2002* (IPIA), requires the Department of Justice to identify and report improper payments in its *Performance and Accountability Report* (PAR) and the Office of the Inspector General (OIG) to review agency reporting in the PAR to determine compliance with the IPIA. The seven requirements outlined in the IPIA are codified 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*. OMB suggested additional procedures the OIG should consider performing during its review, including evaluating the accuracy and completeness of agency reporting and the agency's efforts in preventing and reducing improper payments, and providing recommendations for improvements.

We conducted an examination of the Department's compliance with the IPIA. We determined the Department complied, in all material respects, with the IPIA. While we did not identify any significant deficiencies or material weaknesses, we noted two matters for the Department to consider for future reporting, presented below as comments, with four recommendations. We have discussed these matters with the appropriate members of the Department and their response is included after each recommendation.

Comment Number 1: Ensure all OMB-required Fields Pertaining to Current Year Payment Recapture Activity are Presented in Future Submissions of the Department of Justice's *Performance and Accountability Report*

During our examination of the Department's fiscal year (FY) 2011 PAR we noted that, while the Department is materially in compliance with the presentation requirements, some required, or clarifying, information was not included in certain tables. For instance:

- OMB Circular A-136, Table 2, *Payment Recapture Audit Reporting*.² This table should be presented to illustrate the Department's payment recapture audit efforts. According to the Director, Justice Management Division Internal Review & Evaluation Office, to more clearly present the information, the Department chose to split the information into three tables rather than one: PAR Table 1A, *Payment Recapture Audit Reporting Scope*; PAR Table 1B, *Cumulative Payment Recapture Audit Reporting*; and PAR Table 1C, *Payment Recapture Audit Reporting by Current Year and Previous Years*. The OIG performed a crosswalk of the required columns from OMB Circular A-136, Table 2 to the three tables in the PAR. The OIG noted the following columns were not presented by the Department in any of the three PAR tables:
 - "Amount Outstanding (CY)"³, and
 - "% of Amount Outstanding out of Amount Identified (CY)".
- OMB Circular A-136, Table 3, *Payment Recapture Audit Targets*. This table should provide the "CY Amount Identified", "CY Amount Recovered", and "CY Recovery Rate", alongside the "Recovery Rate Targets" for the next 3 years. We noted the purpose of the table is to document the Department's annual recovery rate per payment type. However, in the accompanying narrative, the Department stated that it "achieved an overall improper payment recovery rate of 86 percent as of the end of FY 2011", which represents the rate for the cumulative period of FYs 2004 through 2011, and that it was "1 percent better than the OMB target rate of 85 percent that agencies are to strive to

² Table 1, *Improper Payment Reduction Outlook*, does not apply to the Department, as this is only required for an agency that has programs or activities that are susceptible to significant improper payments. As determined through the Department's risk assessment, no programs or activities met the OMB thresholds to be considered susceptible to significant improper payments.

³ CY refers to current year.

achieve in FY 2013." Doing so may allow the reader to infer that there is an overall cumulative target recovery rate, which is not the case.

In addition, the following comment was made by OMB as part of its 10-day draft PAR review and provided to the Department: "As discussed in OMB A-136, this table should be based on annual rates, as opposed to the cumulative rate; please revise this table so that it includes CY amount identified, CY amount received, and CY recovery rate (**feel free to still include the cumulative information, but please keep in mind that the annual recovery rate targets should have the CY rate as the baseline**) [emphasis added]."

We referred to the two OMB Circulars that relate to the identification and reporting of improper payments in support of this matter. OMB Circular A-136, *Federal Financial Requirements*, Section II.5.8, requires the presentation of six tables to discern information regarding improper payment estimates and the recapture of improper payments, as applicable:

- Table 1, *Improper Payment Reduction Outlook*
- Table 2, *Payment Recapture Audit Reporting*
- Table 3, *Payment Recapture Audit Targets*
- Table 4, *Aging of Outstanding Overpayments*
- Table 5, *Disposition of Recaptured Funds*
- Table 6, *Overpayments Recaptured Outside of Payment Recapture Audits*

Moreover, OMB Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, Part I.B.3, states: "An agency shall set different payment recapture targets for **the different types of payments** it makes (for example, a given agency might set a target that encompasses all contract payments lumped together, and another target that encompasses all grants payments lumped together). Agencies have the discretion to set their own payment recapture targets for review and approval by OMB, but agencies shall strive to achieve **annual** recapture targets of at least 85 percent within three years (with the **first reporting year being FY 2011**, the second FY 2012, and the third FY 2013) [emphasis added]."

Through discussions with the Department, we determined the following are the causes to the conditions previously listed:

- The Department stated it did not include the two columns: (1) "Amount Outstanding (CY)" and (2) "% of Amount Outstanding out of Amount Identified (CY)" because the information would be misleading to the reader.

- In regards to the Department emphasizing the cumulative recovery rate, the Department stated that this is due to its efforts to present what it considered to be the more informative data.

No material misstatement occurred as a result of the errors noted. However, we believe that the reader may be misled to believe that the Department's recovery rate for each payment type was already meeting the 85 percent target, as the cumulative rate was utilized rather than the annual rate required by OMB.

Recommendations:

We recommend that the Department:

1. Perform a quality control review of the improper payment information included in the PAR to ensure that all requirements of OMB Circular A-136 and OMB Circular A-123, Appendix C, are being appropriately addressed.

MANAGEMENT'S RESPONSE:

The Department concurs with the recommendation. In future submissions, the Department will address all OMB reporting requirements for the PAR unless the Department receives OMB approval to not include certain information. Department management was fully aware of the FY 2011 reporting requirements and made the decision to not present certain current year recovery information in order to avoid presenting incomplete and misleading information.

Management believes a primary objective of financial reporting is to provide information that is both accurate and meaningful. In determining which information to include in a report, professional judgment must be exercised to provide the reader with the most complete data.

In the PAR table presenting recovery rates and targets, the Department presented recovery rate information for both the current year and cumulative period of FYs 2004 through 2011. In the summary paragraph accompanying the table, the Department emphasized the overall recovery rate for the cumulative period because this information presented the most accurate and complete assessment of how well the Department is recovering all amounts owed to the Department. A good analogy is the reporting of Accounts Receivables collection activity; i.e., the Department would never recommend that a Departmental component disregard their aged

Accounts Receivables over one year when measuring the effectiveness of collection activity, which is why the Department does not disregard "aged" improper payments when measuring the effectiveness of its recovery activity. A priority for the Department's payment recapture audit program has been and continues to be recovering all improper payments identified for recapture, not just those identified for recapture in the current year.

Comment Number 2: Discussion of Questioned Costs Should be Expanded to Provide Greater Transparency of the Recapture of Improper Payments

During our examination of the Department's FY 2011 PAR, we noted that, while the Department is materially in compliance with the requirements, additional information could be included to provide greater transparency regarding the methodology utilized by the Department to determine its improper payments and recapture information.

With the implementation of IPERA, the scope of improper payments expanded beyond commercial payments to include grants and cooperative agreements, and benefit and assistance payments. Moreover, OMB has determined questioned costs are now considered improper payments. According to the *Inspector General Act of 1978*, a questioned cost is defined as a cost that is questioned because of:

- (1) An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- (2) A finding that, at the time of the audit, such cost is not supported by adequate documentation; or
- (3) A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Questioned costs relate primarily to the grants process where additional support is requested to validate transactions. However, the validation process between the Department and the grantee can take months, if not years, to resolve questioned costs. The Department's position on questioned costs is that the funds are not available for recovery until they are "sustained", that is, determined that the payment was indeed erroneous.

We did note minimal discussion of questioned costs in the Department's PAR, Item V., Recapture of Improper Payment Reporting; however, we believe that this can be expanded to include the questioned costs resolution process noting when these costs are available for recapture.

According to OMB Circular A-136, Section II.5.8, Item 1, Risk Assessment: "Briefly describe the risk assessment(s) 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 OMB guidance

thresholds) identified by the agency risk assessments. Include any programs previously identified in the former Section 57 of OMB Circular A-11, *Preparation, Submission and Execution of the Budget* [sic]. **Highlight any changes to the risk assessment methodology or results that occurred since the last report**” [emphasis added].

Additionally, OMB Circular A-123, Appendix C, Part I.A.2, defines an improper payment as the following: “An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payment authorized by law). **In addition, when an agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment**” [emphasis added].

Furthermore, OMB Circular A-123, Appendix C, Part I.A.9, states: “However, if a \$100 payment was due and made, but there is insufficient documentation to support the appropriateness of the payment or if a duplicate payment was made, then the amount applied to the annual estimated improper payment amount should be \$100.”

OMB does not provide clear instructions on the reporting of improper payments aside from those programs and activities deemed susceptible. Notwithstanding the above, the Department adhered to the presentation requirements set forth in the OMB guidance.

None of the Department’s five programs were deemed susceptible to significant improper payments. However, the spirit of IPERA is to provide a strategy to reduce improper payments through boosting transparency, holding agencies accountable, and creating strong incentives for compliance.

The inclusion of the questioned cost recapture methodology will clarify for the reader the total amount of the questioned costs and how they are incorporated in the Department’s determination of improper payments. Without a discussion on the resolution process and the length of time it takes to sustain questioned costs, the reader could infer that all questioned costs have been resolved and, if appropriate, identified for recapture. However, the Department had a significant amount of questioned costs, approximately \$57.4 million as of the end of FY 2011, for audit reports with

open recommendations.⁴ Due to the limited discussion of questioned costs in the PAR, the reader may assume that if a payment was questioned, the Department would immediately begin seeking recapture, which is typical of all other improper payments other than grants.

Recommendations:

We recommend that the Department:

2. Continue to seek clarification from OMB on what information would provide the most value and greatest transparency with respect to questioned costs.

MANAGEMENT'S RESPONSE:

The Department concurs with the recommendation. Management will continue its ongoing communications with OMB and will include this topic as a discussion item.

Management believes the current OMB guidance is sufficient and that any clarifications should be formalized by OMB through additional or revised guidance. As with any guidance, there will be varying interpretations based on professional judgment.

3. Expand the discussion in the PAR of Item V Recapture of Improper Payment Reporting, noting questioned costs identified for recapture and the amount of unresolved questioned costs as of the fiscal year end, to allow for full transparency of improper payments. The presentation of such information can be in various forms, such as a narrative format or a footnote.

MANAGEMENT'S RESPONSE:

The Department concurs with the recommendation. The Department will review its current presentation and comply with any additional or revised guidance issued by OMB related to questioned costs.

⁴ *The Attorney General's Semi-Annual Management Report to Congress (April 1, 2011 to September 30, 2011)*, p.3, available on the Department of Justice's website, www.justice.gov.

4. Maintain an aging chart, or similar document, as shown in the example below, in support of the Department’s risk assessment. The document should illustrate the amount of questioned costs (by fiscal year), amount resolved, and the amount that remains open.

Questioned Costs by Fiscal Year	Total Questioned Costs	Resolved/ Identified for Recapture	Open/ Unresolved
FY 2011	\$30	\$7	\$23
FY 2010	\$22	\$15	\$7
FY 2009	\$14	\$11	\$3
Total Questioned Costs that Remain Open/Unresolved			\$33

MANAGEMENT’S RESPONSE:

The Department concurs with the recommendation. The Department will include this or similar information as part of the working papers created to support risk assessments that are performed.

This page intentionally left blank.

**IMPROPER PAYMENTS REPORTING IN THE
FISCAL YEAR 2011 DEPARTMENT OF JUSTICE
PERFORMANCE AND ACCOUNTABILITY REPORT**

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 information on improper payments to the President and Congress through their annual Performance and Accountability Report. In accordance with that requirement and the implementing guidance in OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, and OMB Circular A-136, *Financial Reporting Requirements*, the Department provides the following improper payments reporting details.

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 OMB guidance thresholds) identified by the agency risk assessment. Highlight any changes to the risk assessment methodology or results that occurred since the FY 2010 IPIA report.

In accordance with the IPIA, as amended by the IPERA, and the April 2011 OMB implementing guidance, OMB Circular A-123, Appendix C, the Department assessed its programs and activities for susceptibility to significant improper payments. In FY 2011, the Department updated its top-down approach for assessing the risk of significant improper payments Department-wide to allow for the analysis and reporting of results by the Department's five mission-aligned programs – Law Enforcement; Litigation; Prison and Detention; State, Local, Tribal, and Other Assistance; and Administrative, Technology, and Other. The updated approach promoted consistency across the Department in implementing the expanded requirements of the IPERA. In conjunction with implementing the updated approach, the Department developed and disseminated guidance for conducting the required risk assessment, along with a risk assessment survey instrument for Departmental component use in examining disbursement activities against nine risk factors, such as payment volume and process complexity.⁵ The instrument covered commercial payments, grants and cooperative agreements, benefit and assistance payments, payments to State and local governments, and custodial payments.

The Department's risk assessment methodology for FY 2011 did not change significantly from FY 2010; i.e., for FY 2011, the methodology again included assessing risk against various risk factors and for various payment types. The primary differences for FY 2011 were that the Department's updated risk assessment methodology included the additional types of payments required by the IPERA and OMB implementing guidance, as well as the reporting of information by the Department's five mission-aligned programs.

The results of the FY 2011 risk assessment did not differ from FY 2010; i.e., the Department concluded based on the results of the Department-wide risk assessment for the period ending September 30, 2011, that there were no programs susceptible to significant improper payments, i.e., improper payments exceeding the OMB thresholds of both 2.5 percent of program outlays and \$10 million, or \$100 million.

⁵ 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.

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 2010 IPIA report.

Not applicable. Based on the results of the FY 2011 Department-wide risk assessment, there were no programs susceptible to significant improper payments. This remains unchanged from FY 2010.

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: Administrative and Documentation 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 to 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 2011 Department-wide risk assessment, there were no programs susceptible to significant improper payments.

- 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 2011 Department-wide risk assessment, there were no programs susceptible to significant improper payments, to include 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 2011 Department-wide risk assessment, there were no programs susceptible to significant improper payments.

- 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 also 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 2011 Department-wide risk assessment, there were no programs susceptible to significant improper payments.

Item V. Recapture of Improper Payments Reporting.

- A. An agency shall discuss payment recapture audit (or recovery auditing) 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. In FY 2011, the Department updated its top-down approach for tracking and reporting the results of recovery auditing activities to promote consistency across the Department in implementing the expanded requirements of the IPERA. In conjunction with implementing the updated approach, the Department developed and disseminated a template to assist components in analyzing 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 overpayments resulting from duplicate payments or data entry errors. Departmental components have implemented corrective actions to address specific areas where improvements could be made. For example, to reduce duplicate payments, components within the Offices, Boards, and Divisions have increased the use of analytics by instituting searches of vendor invoice records prior to processing disbursements. 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 category, as most involved questioned costs, e.g., expenditures that did not have sufficient documentation to support the cost. To reduce the risk of these types of overpayments, the Department's granting components expanded training and communications informing grantees of their responsibilities related to receiving Federal awards.

Departmental components have also 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 Office of Justice Programs' (OJP) actions include generating a report at least quarterly that identifies potential duplicate disbursements, researching the questionable disbursements, resolving issues to identify payments that were proper, and initiating recovery actions for payments deemed to be improper. 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.

The Department excluded employee disbursements and intra-governmental payments from the scope of its payment recapture audit program in accordance with the IPERA and OMB implementing guidance. The Department also excluded payments to confidential informants because of its responsibility to protect sensitive law enforcement information. Lastly, the Department excluded payments at Drug Enforcement Administration (DEA) foreign offices, because the DEA obtains the services of the Department of State for certifying and disbursing payments on behalf of the DEA at foreign offices.

In accordance with the IPERA and OMB implementing guidance, the Department measured payment recapture performance under the expanded scope of its payment recapture audit program. Based on performance for the period ending September 30, 2011, the Department achieved an overall improper payment recovery rate of 86 percent – 1 percent better than the OMB target rate of 85 percent that agencies are to strive to achieve by FY 2013. There were no FY 2011 overpayments that were determined not to be collectable. Table 1B provided later in this section provides additional detail on the approximate \$33.0 million in improper payments identified in FYs 2004 through 2011 and the approximate \$28.4 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 2011, 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 2011 disbursements, except for the payments excluded from review as discussed in Item V.A.

**Table 1A
Payment Recapture Audit Reporting Scope**

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Amount Subject to Review for FY 2011 Reporting	Actual Amount Reviewed and Reported in FY 2011	Percent Reviewed
Administrative, Technology, and Other	Commercial	\$757,647,071	\$757,647,071	100%
	Custodial	\$516,597,093	\$516,597,093	100%
Litigation	Commercial	\$689,725,587	\$689,725,587	100%
Law Enforcement	Commercial	\$4,422,205,055	\$4,422,205,055	100%
	State and Local Governments	\$1,116,361,158	\$1,116,361,158	100%
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$130,341,406	\$130,341,406	100%
	Commercial	\$106,937,122	\$106,937,122	100%
	Grants and Cooperative Agreements	\$3,808,605,661	\$3,808,605,661	100%
Prisons and Detention	Commercial	\$3,312,945,299	\$3,312,945,299	100%
	State and Local Governments	\$754,136,121	\$754,136,121	100%
Total		\$15,615,501,573	\$15,615,501,573	100%

Table 1B provides the cumulative results of payment recapture audit activities for the eight-year period of FYs 2004 through 2011. As shown in the table, as of the end of FY 2011, the Department had recovered 86 percent of the improper payments identified for recovery. The Department reported a cumulative recovery rate of 94 percent in its FY 2010 PAR. The decreased rate for FY 2011 is attributed to the increased scope of payment recapture audit reporting required under the IPERA; i.e., in FY 2010, agencies were required to report recovery rates for commercial payments only; whereas, in FY 2011, agencies are required to report on additional types of payments, such as payments to State and local governments, benefit payments, and grants. As shown in the table, the recovery rate for grants was approximately 58 percent, while the recovery rate for all other types of payments ranged from 91 percent 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, the OJP has referred approximately \$1.2 million to the Treasury for collection and is, thus, dependent on the Treasury's collection processing schedule. In addition, some grantees have been placed on multi-year repayment programs based on ability to pay and other factors, which also extends the time frame for receiving recovered grant funds.

**Table 1B
Cumulative Payment Recapture Audit Reporting**

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	FYs 2004 through 2011					
		Cumulative Improper Payments Identified for Recovery	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)	Cumulative Overpayments Determined Not to be Collectable
Administrative, Technology, and Other	Commercial	\$667,081	\$665,134	99.7%	\$1,947	0.3%	\$0
	Custodial	\$0	\$0	N/A	\$0	N/A	N/A
Litigation	Commercial	\$2,681,015	\$2,591,316	96.7%	\$89,699	3.3%	\$0
Law Enforcement	Commercial	\$15,939,236	\$14,782,295	92.7%	\$1,156,941	7.3%	\$0
	State and Local Governments	\$0	\$0	N/A	\$0	N/A	N/A
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$10,000	\$10,000	100.0%	\$0	0%	\$0
	Commercial	\$356,861	\$356,861	100.0%	\$0	0%	\$0
	Grants and Cooperative Agreements	\$6,435,379	\$3,712,556	57.7%	\$2,722,823	42.3%	\$0
Prisons and Detention	Commercial	\$6,740,090	\$6,137,312	91.1%	\$602,778	8.9%	\$0
	State and Local Governments	\$153,878	\$153,878	100.0%	\$0	0%	\$0
Total		\$32,983,540	\$28,409,352	86.1%	\$4,574,188	13.9%	\$0

Table 1C provides the results of payment recapture audit activities separately by current year (FY 2011) and previous years (FYs 2004 through 2010 combined). As shown in the table, for the first two Departmental programs, the amount of commercial improper payments recovered in FY 2011 exceeded the amount identified for recovery due to the recovery during FY 2011 of improper payments identified in previous years.

**Table 1C
Payment Recapture Audit Reporting by Current Year and Previous Years**

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Current Year (FY 2011)				Previous Years (FYs 2004 through 2010)	
		Improper Payments Identified for Recovery	Improper Payments Recovered	Overpayments Determined Not to be Collectable	Percent of Overpayments Determined Not to be Collectable out of Improper Payments Identified for Recovery	Improper Payments Identified for Recovery	Improper Payments Recovered
Administrative, Technology, and Other	Commercial	\$155,512	\$261,351	\$0	N/A	\$511,569	\$403,783
	Custodial	\$0	\$0	\$0	N/A	\$0	\$0
Litigation	Commercial	\$455,062	\$943,442	\$0	N/A	\$2,225,953	\$1,647,874
Law Enforcement	Commercial	\$3,556,735	\$2,668,526	\$0	N/A	\$12,382,501	\$12,113,769
	State and Local Governments	\$0	\$0	\$0	N/A	\$0	\$0
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$10,000	\$10,000	\$0	N/A	\$0	\$0
	Commercial	\$326,377	\$326,377	\$0	N/A	\$30,484	\$30,484
	Grants and Cooperative Agreements	\$6,435,379	\$3,712,556	\$0	N/A	\$0	\$0
Prisons and Detention	Commercial	\$1,541,380	\$1,192,287	\$0	N/A	\$5,198,710	\$4,945,025
	State and Local Governments	\$153,878	\$153,878	\$0	N/A	\$0	\$0
Total		\$12,634,323	\$9,268,417	\$0	N/A	\$20,349,217	\$19,140,935

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 current year (FY 2011) payment recapture audit activities information, cumulative information (FYs 2004 through 2011), and recovery rate targets for three years. As shown in the current year section of the table, for the first two Departmental programs, the amount of commercial improper payments recovered exceeded the amount identified for recovery due to the recovery during FY 2011 of improper payments identified in previous years. As also shown in the table, the Department achieved an overall improper payment recovery rate of 86 percent as of the end of FY 2011 – 1 percent better than the OMB target rate of 85 percent that agencies are to strive to achieve by FY 2013. In FY 2012, the Department will focus 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**

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Current Year (FY 2011)			Cumulative (FYs 2004 through 2011)			Recovery Rate Targets		
		Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate	Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate	FY 2012	FY 2013	FY 2014
Administrative, Technology, and Other	Commercial	\$155,512	\$261,351	168.1%	\$667,081	\$665,134	99.7%	99%	99%	99%
	Custodial	\$0	\$0	N/A	\$0	\$0	N/A	85%	85%	85%
Litigation	Commercial	\$455,062	\$943,442	207.3%	\$2,681,015	\$2,591,316	96.7%	96%	96%	96%
Law Enforcement	Commercial	\$3,556,735	\$2,668,526	75.0%	\$15,939,236	\$14,782,295	92.7%	92%	92%	92%
	State and Local Governments	\$0	\$0	N/A	\$0	\$0	N/A	85%	85%	85%
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$10,000	\$10,000	100.0%	\$10,000	\$10,000	100.0%	99%	99%	99%
	Commercial	\$326,377	\$326,377	100.0%	\$356,861	\$356,861	100.0%	99%	99%	99%
	Grants and Cooperative Agreements	\$6,435,379	\$3,712,556	57.7%	\$6,435,379	\$3,712,556	57.7%	65%	85%	85%
Prisons and Detention	Commercial	\$1,541,380	\$1,192,287	77.4%	\$6,740,090	\$6,137,312	91.1%	91%	91%	91%
	State and Local Governments	\$153,878	\$153,878	100.0%	\$153,878	\$153,878	100.0%	99%	99%	99%
Total		\$12,634,323	\$9,268,417	73.4%	\$32,983,540	\$28,409,352	86.1%			

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 2011. As shown in the table, of the approximate \$1 million of overpayments that was outstanding more than a year, more than \$900,000 (or 88 percent) was grants. As mentioned, in FY 2012, the Department will focus on improving the recovery rate for grants.

**Table 3
Aging of Cumulative Outstanding Overpayments**

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	\$1,355	\$114	\$478
	Custodial	\$0	\$0	\$0
Litigation	Commercial	\$69,035	\$6,961	\$13,703
Law Enforcement	Commercial	\$15,746	\$1,034,736	\$106,459
	State and Local Governments	\$0	\$0	\$0
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$0	\$0	\$0
	Commercial	\$0	\$0	\$0
	Grants and Cooperative Agreements	\$644,379	\$1,158,132	\$920,312
Prisons and Detention	Commercial	\$11,793	\$587,750	\$3,235
	State and Local Governments	\$0	\$0	\$0
Total		\$742,308	\$2,787,693	\$1,044,187

- 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 2011. As shown in the table, almost \$7.8 million of the approximate \$9.3 million recovered (or 84 percent) was returned to the original funds from which the payments were made; another \$1.1 million (or 12 percent) was returned to the Treasury.

Table 4
Disposition of FY 2011 Recovered Funds

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Improper Payments Recovered in FY 2011	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	\$261,351	\$249,991						\$11,360
	Custodial	\$0							
Litigation	Commercial	\$943,442	\$943,442						
Law Enforcement	Commercial	\$2,668,526	\$2,325,015				\$343,511		
	State and Local Governments	\$0							
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$10,000	\$10,000						
	Commercial	\$326,377	\$326,377						
	Grants and Cooperative Agreements	\$3,712,556	\$2,605,592						\$1,106,964
Prisons and Detention	Commercial	\$1,192,287	\$1,179,731						\$12,556
	State and Local Governments	\$153,878	\$153,878						
Total		\$9,268,417	\$7,794,026	\$0	\$0	\$0	\$343,511	\$0	\$1,130,880

- 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 FY 2011 by source, i.e., through internal efforts or by auditors, vendors, or payment recapture audit contractors. The table also provides FY 2011 recovery information associated with overpayments identified by those sources. The table provides information for FY 2011 only, as the Department did not track this level of detail in previous years.

**Table 5
Sources of Identifying Overpayments**

Source	Improper Payments Identified in FY 2011	Improper Payments Recovered in FY 2011
Internal Efforts	\$5,249,056	\$4,308,320
Auditors (e.g., by the OIG or audits for OMB Circular A-133)	\$5,909,309	\$3,290,056
Vendors	\$1,475,958	\$1,658,681
Payment Recapture Audit Contractors	\$0	\$11,360
Total	\$12,634,323	\$9,268,417

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 2011 Department-wide risk assessment, there were no programs susceptible to significant improper payments.

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 2011 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 2011, 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.

In addition to the Department's actions to improve agency information systems and infrastructure, individual components have taken actions to incorporate additional controls into their financial systems to reduce improper payments. For example, in FY 2011, the Federal Prison Industries (FPI) purchased a Document Management Service for processing accounts payable vendor invoices, which the FPI plans to implement the first quarter of FY 2012. The increased capability will provide end-to-end automation that integrates document automation, reconciliation, voucher processing, workflow for approvals, and detailed reporting information.

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 use in FY 2011 of a top-down approach for implementing the expanded requirements of the IPERA promoted consistency across the Department, both with regard to conducting the required risk assessment and for tracking and reporting payment recapture audit activities. In FY 2012, the Department will continue its efforts to further reduce improper payments, as well as improve the recovery rate for grants – the only type of payment for which the Department's recovery rate as of the end of FY 2011 was below 90 percent.