



Audit of the U.S. Department of Justice's
Fiscal Year 2022 Compliance with the
Payment Integrity Information Act of 2019



AUDIT DIVISION

23-070

MAY 2023



EXECUTIVE SUMMARY

Audit of the U.S. Department of Justice’s Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019

Objectives

The objectives of the U.S. Department of Justice (Department or DOJ) Office of the Inspector General (OIG) audit were to determine the Department’s compliance with the Payment Integrity Information Act of 2019 (PIIA), and to evaluate the Department’s efforts to prevent and reduce improper and unknown payments for the fiscal year ended September 30, 2022.

PIIA requires the OIG to annually determine the Department’s compliance with the payment integrity reporting requirements, as set forth in the Office of Management and Budget (OMB) Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvement*; OMB Circular A-136, *Financial Reporting Requirements*; and OMB Payment Integrity Annual Data Call Instructions. The OIG is required to submit a report on its determination no later than 180 days after issuance of the Department’s Agency Financial Report (AFR) or the accompanying materials to the AFR, whichever is later.

Results in Brief

The OIG found that the Department complied with the payment integrity reporting requirements for each of its five programs for the fiscal year ended September 30, 2022. In addition, we determined the Department’s efforts to prevent and reduce improper and unknown payments were effective.

Recommendations

No recommendations are provided in the report.

Audit Results

The OIG conducted a performance audit in accordance with government auditing standards and reviewed the Department’s compliance with the payment integrity reporting requirements for the fiscal year ended September 30, 2022. The following table summarizes the Department’s compliance status for each requirement.

Compliance Requirements	Department’s Compliance
Published payment integrity information in AFR	Compliant
Posted the AFR and accompanying materials on Department’s website	Compliant
Conducted a risk assessment	Compliant
Adequately concluded whether the program is likely to make payments above or below statutory threshold	Compliant
Published improper and unknown payments estimates	Not Applicable
Published corrective action plans	Not Applicable
Published improper and unknown reduction targets	Not Applicable
Demonstrated improvements to payment integrity or reached a tolerable improper and unknown payment rate	Not Applicable
Developed a plan to meet the improper and unknown payments reduction target	Not Applicable
Reported an improper and unknown payment estimate of less than 10 percent	Not Applicable

Table of Contents

Introduction	1
Background Information	1
OIG Audit Approach	1
Audit Results	2
Conclusion and Recommendations	4
APPENDIX 1: Objectives, Scope, and Methodology.....	5
Objectives	5
Scope and Methodology.....	5
Statement on Compliance with Generally Accepted Government Auditing Standards	6
Internal Controls.....	6
APPENDIX 2: Payment Integrity Reporting in the Fiscal Year 2022 Department of Justice Agency Financial Report.....	7

Introduction

Background Information

On March 2, 2020, the President signed the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117). PIIA repealed the Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), and the Fraud Reduction and Data Analytics Act of 2015 (FRDAA). PIIA incorporates select provisions from IPIA, IPERA, IPERIA, and FRDAA, into a single subchapter of the U.S. Code, while also introducing new aspects into the payment integrity statutory framework.

PIIA requires agencies to assess every federal program and dollar disbursed for improper payment risk, measure the accuracy of payments, and initiate program improvements to ensure payment errors are reduced. Specifically, PIIA requires agencies to review all programs and activities and identify all programs that are susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). For those programs or activities that are deemed susceptible to significant improper payments, either by the agency or by law, the agency must obtain a statistically valid estimate of the annual amount of improper payments and thereafter implement a plan to reduce improper payments.

In addition to reporting the estimated annual amount of improper payments for programs or activities susceptible to significant improper payments, PIIA requires agencies to conduct payment recovery 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 recovery audit programs that will drive annual performance.

PIIA requires the Office of the Inspector General (OIG) of each agency to annually determine its agency's compliance with the payment integrity reporting requirements, as set forth in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvement* (OMB Circular A-123, Appendix C); OMB Circular A-136, *Financial Reporting Requirements* (OMB Circular A-136); and OMB Payment Integrity Annual Data Call Instructions. The OIG is required to submit a report on its determination no later than 180 days after issuance of the Agency Financial Report (AFR) or the accompanying materials to the AFR, whichever is later, to the head of the agency, the Committee on Homeland Security and Governmental Affairs of the U.S. Senate, the U.S. House Committee on Oversight and Accountability, the Comptroller General, and the Controller of OMB.

OIG Audit Approach

The objectives of this audit were to determine the Department's compliance with the requirements of PIIA and to evaluate the Department's efforts to prevent and reduce improper and unknown payments for the fiscal year ended September 30, 2022. This audit is required annually pursuant to PIIA, and in accordance with OMB Circular A-123, Appendix C; OMB Circular A-136; and OMB Payment Integrity Annual Data Call Instructions. To accomplish these objectives, the OIG's audit approach followed the Council of the Inspectors General on Integrity and Efficiency Guidance for PIIA Compliance Reviews.

Audit Results

The OIG determined that the Department complied with the payment integrity reporting requirements for the fiscal year ended September 30, 2022. The OIG determined that the Department reviewed the specified requirements to collect and publish information on the Department's improper and unknown payments for the fiscal year ended September 30, 2022, in its AFR and in the accompanying materials submitted to OMB. As a result of the Department's risk assessment, the Department's programs were considered below the statutory threshold and were not required to include programmatic corrective actions plan, annual reduction targets for programs at risk, and a gross improper payment rate of less than 10 percent for each program in its accompanying materials. The below table summarizes the Department's compliance status for each requirement and DOJ program.

The OIG determined the Department's efforts to prevent and reduce improper and unknown payments for the fiscal year ended September 30, 2022, were effective.

The Department's Compliance with PIIA by Program

Compliance Requirements	Administrative, Technology, and Other	Litigation	Law Enforcement	State, Local, Tribal, and Other Assistance	Prisons and Detention
Published payment integrity information with the AFR	Compliant	Compliant	Compliant	Compliant	Compliant
Posted the AFR and accompanying materials on the Department's website	Compliant	Compliant	Compliant	Compliant	Compliant
Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last 3 years	Compliant	Compliant	Compliant	Compliant	Compliant
Adequately concluded whether the program is likely to make improper and unknown payments above or below the statutory threshold	Compliant	Compliant	Compliant	Compliant	Compliant
Published improper and unknown payments estimates for programs susceptible to significant improper payments in the accompanying materials to the AFR	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

The Department's Compliance with PIIA by Program (Continued)

Compliance Requirements	Administrative, Technology, and Other	Litigation	Law Enforcement	State, Local, Tribal, and Other Assistance	Prisons and Detention
Published improper and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Has demonstrated improvements to payment integrity or reached a tolerable improper and unknown payment rate	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Has developed a plan to meet the improper and unknown payments reduction target	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Reported an improper and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the AFR	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Source: DOJ OIG analysis

Conclusion and Recommendations

The OIG determined that the Department complied with PIIA, in accordance with the OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvement*; OMB Circular A-136, *Financial Reporting Requirements*; and OMB Payment Integrity Annual Data Call Instructions for each of its five programs for the fiscal year ended September 30, 2022. In addition, we determined the Department's efforts to prevent and reduce improper and unknown payments for the fiscal year ended September 30, 2022, were effective. Therefore, the report includes no recommendations to the Department and is issued closed.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine the Department's compliance with PIIA, and to evaluate the Department's efforts to prevent and reduce improper and unknown payments for the fiscal year ended September 30, 2022. PIIA requires the OIG to annually determine the Department's compliance with the payment integrity reporting requirements, as set forth in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvement* (OMB Circular A-123, Appendix C); OMB Circular A-136, *Financial Reporting Requirements* (OMB Circular A-136); and OMB Payment Integrity Annual Data Call Instructions, for the fiscal year ended September 30, 2022. Compliance with the payment integrity reporting requirements means that the Department complied with the requirements listed in the table in the Audit Results section of this report.

In addition, the OIG is required to evaluate the Department's efforts to prevent and reduce improper and unknown payments. To be effective, programs should prioritize efforts toward preventing improper and unknown payments from occurring to avoid operating in a "pay-and-chase" environment. All programs should have a structured and systematic approach to recognizing where the potential for improper and unknown payments can arise and subsequently address the risk, as appropriate.

Scope and Methodology

The OIG reviewed the payment integrity information published in the Payment Integrity Information Act Reporting section in the Department's fiscal year ended September 30, 2022, AFR and the accompanying materials required by OMB to determine compliance with the payment integrity reporting requirements. The OIG gained an understanding of the Department and its component-level controls through inquiry procedures; reviewed the Department's risk assessment; confirmed that the Department properly included its five programs; evaluated the risk factors recommended by OMB Circular A-123, Appendix C; determined if any programs were deemed to be susceptible to significant improper payments, defined as gross annual improper payments in the program exceeding the statutory thresholds of either \$100 million or both 1.5 percent of program outlays and \$10 million; and re-performed calculations computed by the Department to populate the payment integrity information published in the accompanying materials required by OMB.¹

The Department determined that no programs were deemed susceptible to significant improper payments for the fiscal year ended September 30, 2022. Additionally, in accordance with OMB Circular A-123, Appendix C, the OIG evaluated the Department's efforts to prevent and reduce improper and unknown payments. Through inquiry with the Department staff and review of policies and procedures along with responses to OMB data calls, the OIG found that the Department is performing procedures to detect and

¹ The risk factors examined by the Department and its components included the following – whether the program or activity is new to the agency; recent major changes in funding, authorities, practices, or procedures; results of OMB Circular A-123 assessment, OIG audits/reviews, and other external audits/reviews; results of monitoring activities; results of recapture audit activities; process complexities; volume and dollar amount of payments; inherent risk; capability of personnel; and payments or payment eligibility decisions made by non-Department entities.

recover improper and unknown payments. The Department uses resources such as the Department of the Treasury's Do Not Pay Initiative to reduce improper and unknown payments prior to making the payment. None of the Department's programs reported an estimate above the statutory threshold, therefore the OIG was not required to include recommendations for actions to further improve prevention and reduction of improper and unknown payments within the programs.

The OIG is not independent with respect to amounts pertaining to OIG operations that are presented in the payment integrity reporting. However, the amounts included for the OIG are not material to the Department's payment integrity reporting, and the OIG is organizationally independent with respect to all other aspects of the Department's activities.

Statement on Compliance with Generally Accepted Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of the Department to provide assurance on its internal control structure as a whole. The Department management is responsible for the establishment and maintenance of internal controls in accordance with OMB Circular A-123. Because we do not express an opinion on the Department's internal control structure as a whole, we offer this statement solely for the information and use of the Department.²

In planning and performing our audit, we identified internal control components and underlying internal control principles as significant to the audit objectives. Specifically, we met with Department personnel and reviewed the Department's instructions and guidance to its components to gain an understanding of the Department and its component-level controls. We assessed the design and implementation of the Department's compliance with the payment integrity reporting requirements.

We did not identify and therefore do not report any control deficiencies in our report. However, because our review was limited to those internal control components and underlying principles that we found significant to the objectives of this audit, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

² This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: Payment Integrity Reporting in the Fiscal Year 2022 Department of Justice Agency Financial Report

The Payment Integrity Information Act requires the Department to publish payment integrity information within its Agency Financial Report (AFR) for the most recent fiscal year in accordance with OMB guidance. Below is the Department's payment integrity reporting that was published in its fiscal year 2022 AFR.

Payment Integrity Information Act Reporting

The Payment Integrity Information Act of 2019 requires agencies to annually report certain information on improper payments in their AFR, such as actions taken to address recovery auditor recommendations. In recent years, OMB has been collecting improper payments data not required to be reported in the AFR, such as data on recovery activities, fraud, and risk assessment, through an annual data call and publishing the data on PaymentAccuracy.gov. The Department's FY 2022 data can be found on <https://www.paymentaccuracy.gov/>.