

# APPENDIX A

## Improper Payments Information Act (as amended by the IPERA) Reporting Details

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 2011 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. The Department's top-down approach for assessing the risk of significant improper payments allows 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 approach promotes consistency across the Department in implementing the expanded requirements of the IPERA.

In FY 2012, the Department disseminated an updated risk assessment survey instrument for Departmental components to use in conducting the required risk assessment. The instrument examined disbursement activities against nine risk factors, such as payment volume and process complexity, and covered commercial payments, custodial payments, benefit and assistance payments, and grants and cooperative agreements.<sup>1</sup>

The Department's risk assessment methodology for FY 2012 did not change significantly from FY 2011; i.e., for FY 2012, the methodology again included assessing risk against various risk factors and for various payment types. The primary difference for FY 2012 was that the Department included clarifying language in the survey instrument to ensure components considered all questioned costs as improper payments when conducting the required risk assessment.

The results of the FY 2012 risk assessment did not differ from FY 2011; i.e., the Department concluded based on the results of the Department-wide risk assessment for the period ending September 30, 2012, 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.

**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**

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<sup>1</sup> 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.

**payments. Highlight any changes to the statistical sampling process that have occurred since the FY 2011 IPIA report.**

Not applicable. Based on the results of the FY 2012 Department-wide risk assessment, there were no programs susceptible to significant improper payments. This remains unchanged from FY 2011.

**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 2012 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 2012 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 2012 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 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 2012 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. The Department's top-down approach for tracking and reporting the results of recovery auditing activities promotes consistency across the Department in implementing the expanded requirements of the IPERA. In FY 2012, the Department provided components an updated template to assist them 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 actions to address specific areas where improvements could be made. For example, to reduce duplicate payments and prevent other types of improper payments, the Drug Enforcement Administration (DEA) conducts data analytics on payment data entered into the Unified Financial Management System (UFMS) prior to processing disbursements to identify payments that, if processed, would be improper, e.g., payments to ineligible recipients, payments for ineligible services, and duplicate payments. 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 payments for which grantees did not provide sufficient documentation to support the payments. 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. For example, the Office of Justice Programs (OJP) requires all grantees responsible for improper payments to submit written policies and procedures describing the internal controls put in place to prevent similar occurrences in the future.

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 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 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. Based on performance through the period ending September 30, 2012, the Department achieved a payment recovery rate of 93 percent for the cumulative period of FYs 2004 through 2012, and an annual recovery rate of 121 percent for FY 2012.<sup>2</sup> In FY 2012, approximately \$22,400 of overpayments were determined not to be collectable, the majority of which were due to a vendor’s bankruptcy. Table 1B provided later in this section provides additional detail on the approximate \$40.5 million in improper payments identified in FYs 2004 through 2012 and the approximate \$37.5 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 2012, 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 2012 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 2012 Reporting	Actual Amount Reviewed and Reported in FY 2012	Percent Reviewed
Administrative, Technology, and Other	Commercial	\$600,449,112	\$600,449,112	100%
	Custodial	\$5,955,270,022	\$5,955,270,022	100%
Litigation	Commercial	\$793,173,598	\$793,173,598	100%
Law Enforcement	Commercial	\$4,291,446,597	\$4,291,446,597	100%
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$159,235,197	\$159,235,197	100%
	Commercial	\$102,238,947	\$102,238,947	100%
	Grants and Cooperative Agreements	\$3,551,457,673	\$3,551,457,673	100%
Prisons and Detention	Commercial	\$6,431,245,074	\$6,431,245,074	100%
<b>Total</b>		<b>\$21,884,516,220</b>	<b>\$21,884,516,220</b>	<b>100%</b>

<sup>2</sup> In FY 2012, the improper payments recovered exceeded the improper payments identified for recovery due to the recovery during FY 2012 of improper payments identified in previous years; this scenario resulted in the annual recovery rate exceeding 100 percent.

Table 1B provides the cumulative results of payment recapture audit activities for the nine-year period of FYs 2004 through 2012. As shown in the table, as of the end of FY 2012, the Department had recovered 93 percent of the improper payments identified for recovery. The Department reported a cumulative recovery rate of 86 percent in its FY 2011 PAR. As shown in the table, the cumulative recovery rate for grants was 79 percent, while the cumulative recovery rate for all other types of payments ranged from 90 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, some grantees have been placed on multi-year repayment programs based on ability to pay and other factors.

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

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	FYs 2004 through 2012					
		Cumulative Improper Payments Identified for Recovery <sup>3</sup>	Cumulative Improper Payments Determined Not to be Collectable	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)
Administrative, Technology, and Other	Commercial	\$1,260,749	\$0	\$1,236,335	98%	\$24,414	2%
	Custodial	\$0	\$0	\$0	N/A	\$0	N/A
Litigation	Commercial	\$3,396,822	\$5	3,304,175	97%	\$92,642	3%
Law Enforcement	Commercial	\$18,032,017	\$22,428	\$17,816,867	99%	\$192,722	1%
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$10,000	\$0	\$10,000	100%	\$0	0%
	Commercial	\$356,861	\$0	\$356,861	100%	\$0	0%
	Grants and Cooperative Agreements	\$8,959,071	\$0	\$7,075,724	79%	\$1,883,347	21%
Prisons and Detention	Commercial	\$8,473,208	\$0	\$7,665,641	90%	\$807,567	10%
<b>Total</b>		<b>\$40,488,728</b>	<b>\$22,433</b>	<b>\$37,465,603</b>	<b>93%</b>	<b>\$3,000,692</b>	<b>7%</b>

<sup>3</sup> Improper payments identified for recovery do not include all questioned costs. When questioned costs are identified in an OIG audit report or through some other means, Departmental management initiates a process to validate whether the costs in question were improper payments; e.g., the Department will request additional support from grantees for transactions that, at the time of audit, were not supported by adequate documentation. The validation process can take months, and in some cases years, to complete. Therefore, for payment recapture audit reporting purposes, improper payments identified for recovery include only the questioned costs for which Departmental management has completed the validation process and determined that the incurred costs should not have been charged to the Government.

Table 1C provides the results of payment recapture audit activities separately by current year (FY 2012) and previous years (FYs 2004 through 2011 combined). As shown in the current year section of the table, the improper payments recovered for two programs – Law Enforcement and State, Local, Tribal, and Other Assistance – exceeded the improper payments identified for recovery due to the recovery during FY 2012 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 2012)							Previous Years (FYs 2004 through 2011)	
		Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate (Percent of Current Year Improper Payments Recovered out of Current Year Improper Payments Identified for Recovery)	Improper Payments Determined Not to be Collectable	Percent of Improper Payments Determined Not to be Collectable out of Improper Payments Identified for Recovery	Improper Payments Outstanding	Percent Outstanding (Percent of Current Year Improper Payments Outstanding out of Current Year Improper Payments Identified for Recovery)	Improper Payments Identified for Recovery	Improper Payments Recovered
Administrative, Technology, and Other	Commercial	\$593,668	\$571,201	96%	\$0	0%	\$22,467	4%	\$667,081	\$665,134
	Custodial	\$0	\$0	N/A	\$0	N/A	\$0	N/A	\$0	\$0
Litigation	Commercial	\$715,807	\$712,859	99%	\$5	0%	\$2,943	1%	\$2,681,015	\$2,591,316
Law Enforcement	Commercial	\$2,092,781	\$3,034,572	145%	\$22,428	1%	(\$964,219)	(46%)	\$15,939,236	\$14,782,295
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$0	\$0	N/A	\$0	N/A	\$0	N/A	\$10,000	\$10,000
	Commercial	\$0	\$0	N/A	\$0	N/A	\$0	N/A	\$356,861	\$356,861
	Grants and Cooperative Agreements	\$2,523,692	\$3,363,168	133%	\$0	0%	(\$839,476)	(33%)	\$6,435,379	\$3,712,556
Prisons and Detention	Commercial	\$1,579,240	\$1,374,451	87%	\$0	0%	\$204,789	13%	\$6,893,968	\$6,291,190
<b>Total</b>		<b>\$7,505,188</b>	<b>\$9,056,251</b>	<b>121%</b>	<b>\$22,433</b>	<b>1%</b>	<b>(\$1,573,496)</b>	<b>(22%)</b>	<b>\$32,983,540</b>	<b>\$28,409,352</b>

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 2012) payment recapture audit activities information, cumulative information (FYs 2004 through 2012), and recovery rate targets for three years. As mentioned, the lower cumulative recovery rate for grants is attributed in part to factors that extend the time frame for receiving recovered grant funds. In FY 2013, the Department will continue focusing 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)	Cumulative (FYs 2004 through 2012)			Current Year (FY 2012)			Recovery Rate Targets <sup>4</sup>		
		Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate	Improper Payments Identified for Recovery	Improper Payments Recovered	Recovery Rate	FY 2013	FY 2014	FY 2015
Administrative, Technology, and Other	Commercial	\$1,260,749	\$1,236,335	98%	\$593,668	\$571,201	96%	85%	85%	85%
	Custodial	\$0	\$0	N/A	\$0	\$0	N/A	85%	85%	85%
Litigation	Commercial	\$3,396,822	3,304,175	97%	\$715,807	\$712,859	100%	85%	85%	85%
Law Enforcement	Commercial	\$18,032,017	\$17,816,867	99%	\$2,092,781	\$3,034,572	145%	85%	85%	85%
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$10,000	\$10,000	100%	\$0	\$0	N/A	85%	85%	85%
	Commercial	\$356,861	\$356,861	100%	\$0	\$0	N/A	85%	85%	85%
	Grants and Cooperative Agreements	\$8,959,071	\$7,075,724	79%	\$2,523,692	\$3,363,168	133%	85%	85%	85%
Prisons and Detention	Commercial	\$8,473,208	\$7,665,641	90%	\$1,579,240	\$1,374,451	87%	85%	85%	85%
<b>Total</b>		<b>\$40,488,728</b>	<b>\$37,465,603</b>	<b>93%</b>	<b>\$7,505,188</b>	<b>\$9,056,251</b>	<b>121%</b>			

<sup>4</sup> Recovery rate targets were adjusted in FY 2012 to 85 percent for all programs, consistent with OMB guidance.

**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 2012. As shown in the table, of the approximate \$2.5 million in overpayments that were outstanding for more than a year, 70 percent were grants. As mentioned, in FY 2013, the Department will continue focusing 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	\$2,647	\$0	\$21,767
	Custodial	\$0	\$0	\$0
Litigation	Commercial	\$18,882	\$63	\$73,697
Law Enforcement	Commercial	\$90,644	\$37,699	\$64,379
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$0	\$0	\$0
	Commercial	\$0	\$0	\$0
	Grants and Cooperative Agreements	\$58,970	\$48,604	\$1,775,773
Prisons and Detention	Commercial	\$185,433	\$29,458	\$592,676
<b>Total</b>		<b>\$356,576</b>	<b>\$115,824</b>	<b>\$2,528,292</b>

- 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 2012. As shown in the table, approximately \$8.7 million of the approximate \$9.1 million recovered (or 96 percent) was returned to the original funds from which the payments were made.

**Table 4  
Disposition of FY 2012 Recovered Funds**

DOJ Mission-Aligned Program	Type of Payment (includes only the types made per program)	Improper Payments Recovered in FY 2012	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	\$571,201	\$571,201	\$0	\$0	\$0	\$0	\$0	\$0
	Custodial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Litigation	Commercial	\$712,859	\$712,859	\$0	\$0	\$0	\$0	\$0	\$0
Law Enforcement	Commercial	\$3,034,572	\$3,034,540	\$0	\$0	\$0	\$0	\$0	\$32
State, Local, Tribal, and Other Assistance	Benefits and Assistance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Commercial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Grants and Cooperative Agreements	\$3,363,168	\$3,016,890	\$0	\$0	\$0	\$0	\$0	\$346,278
Prisons and Detention	Commercial	\$1,374,451	\$1,372,553	\$0	\$0	\$0	\$0	\$0	\$1,898
<b>Total</b>		<b>\$9,056,251</b>	<b>\$8,708,043</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$348,208</b>

- 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 the current year (FY 2012) and previous year (FY 2011) by source, i.e., through internal efforts or by auditors, vendors, or payment recapture audit contractors. The table also provides the recovery information associated with overpayments identified by those sources. The table provides information for FYs 2011 and 2012 only, as agencies were not required to track this level of detail prior to FY 2011.

**Table 5  
Sources of Identifying Overpayments**

Source	Current Year (FY 2012)		Previous Year (FY 2011)		Cumulative (FYs 2012 and 2011)	
	Improper Payments Identified	Improper Payments Recovered	Improper Payments Identified	Improper Payments Recovered	Improper Payments Identified	Improper Payments Recovered
Internal Efforts	\$2,765,498	\$3,442,617	\$5,249,056	\$4,308,320	\$8,014,554	\$7,750,937
Auditors (e.g., by the OIG or audits for OMB Circular A-133)	\$2,017,196	\$2,942,838	\$5,909,309	\$3,290,056	\$7,926,505	\$6,232,894
Vendors	\$2,722,494	\$2,670,796	\$1,475,958	\$1,658,681	\$4,198,452	\$4,329,477
Payment Recapture Audit Contractors	\$0	\$0	\$0	\$11,360	\$0	\$11,360
<b>Total</b>	<b>\$7,505,188</b>	<b>\$9,056,251</b>	<b>\$12,634,323</b>	<b>\$9,268,417</b>	<b>\$20,139,511</b>	<b>\$18,324,668</b>

**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 2012 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 2012 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 2012, 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 2012, the Federal Prison Industries implemented a centralized accounts payable documentation management system. The system provides end-to-end automation of invoices and also provides reconciliation, voucher posting, workflow for approvals, and detailed reporting and auditing information that can be used to monitor payment activities.

**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 top-down approach for implementing the expanded requirements of the IPERA promotes consistency across the Department, both with regard to conducting the required risk assessment and for tracking and reporting payment recapture audit activities. In FY 2013, the Department will continue its efforts to further reduce improper payments, as well as improve the recovery rate for grants.

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