# Audit of the U.S. Department of Justice's Fiscal Year 2023 Compliance with the Payment Integrity Information Act of 2019

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AUDIT DIVISION

24-068

**MAY 2024**

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## Background

Payment Integrity Information Act of 2019 (PIIA), Public Law 116 - 117, aims to improve efforts to identify and reduce government-wide improper payments. 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.

Additionally, 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. Payment integrity information is published with the agency's annual financial statement in accordance with payment integrity guidance in OMB Circular A-136, *Financial Reporting Requirements* (OMB Circular A-136).

PIIA requires the OIG of each agency to determine, annually, 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; 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.

## Audit Results

For the fiscal year ended September 30, 2023, the OIG determined that the Department complied with the payment integrity reporting requirements. Additionally, no needed improvements were identified during the OIG's evaluation of the Department's efforts to prevent and reduce improper and unknown payments.

The Department's AFR and the accompanying materials submitted to OMB included its review of the specified requirements to collect and publish information on the Department's improper and unknown payments for the fiscal year ended September 30, 2023. 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 to the AFR.[1]

As a result, this report includes no recommendations for the Department. The following table summarizes the Department's compliance status for each requirement and DOJ program.

[1] Statutory threshold is either $10,000,000 and 1.5 percent of the program's total annual outlays or $100,000,000.

## Table

## The Department's PIIA Compliance 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 |
| 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

## Audit Objectives, Scope, and Methodology

The objectives of this audit were to determine the Department's compliance with the PIIA requirements and to evaluate the Department's efforts to prevent and reduce improper and unknown payments for the fiscal year ended September 30, 2023.

The OIG conducted a performance audit in accordance with government auditing standards and evaluated the Department's compliance with the payment integrity reporting requirements. Compliance means that the Department complied with the applicable requirements listed in the prior table. To achieve our audit objectives, 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, 2023, AFR, and the accompanying materials required by the 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.[2]

Additionally, the OIG evaluated the Department's efforts to prevent and reduce improper and unknown payments. To be effective in preventing and reducing improper and unknown payments, the Department's 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.

The OIG made inquiries of the Department staff, and reviewed policies and procedures, and responses to OMB data calls. The OIG evaluated the Department's use of 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 a significant improper and unknown payment estimate, 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.

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[2] 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.