

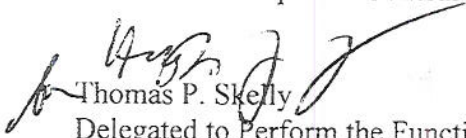


UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE CHIEF FINANCIAL OFFICER

MEMORANDUM

DATE: January 30, 2012

TO: Kathleen Tighe, Inspector General
Office of the Inspector General

FROM:  Thomas P. Skelly
Delegated to Perform the Functions and Duties
of the Chief Financial Officer

SUBJECT: Report on High-Dollar Overpayments for the Quarter Ended December 31, 2011

The purpose of this memorandum is to comply with the high-dollar overpayment reporting requirements addressed in the Office of Management and Budget (OMB) implementation guidance M-10-13, dated March 22, 2010, relative to Executive Order 13520. The OMB implementation guidance requires agency heads to submit quarterly reports on high-dollar overpayments to the Office of Inspector General, and the Council of Inspectors General on Integrity and Efficiency.

During the reporting period covering October 1, 2011 through December 31, 2011, the U.S. Department of Education (Department) identified improper payments totaling \$231,026.40. See attachment for additional details.

The Department is committed to ensuring the integrity of its programs and is focused on identifying and managing the risk of improper payments and mitigating the risk with adequate control activities. The Department will continue to work closely with the Office of the Inspector General and OMB to explore additional opportunities for identifying and reducing potential improper payments.

If you have any questions, please contact Hugh Hurwitz at (202) 245-6555.

Attachment

cc: Ms. Phyllis Fong, Chair
Council of Inspectors General
on Integrity and Efficacy

Mr. Danny Werfel, Controller
Office of Federal Financial Management
Office of Management and Budget

550 12th St. S.W., WASHINGTON, DC 20202
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**U.S. Department of Education
High-Dollar Overpayments
October 1, 2011 to December 31, 2011**

Date	Amount	Payment Type (Individual/ Entity)	Location			Cognizant Program	Recovery Action(s) Taken / Planned	Future Preventive Action(s)
			City	County	State			
01/06/12	\$6,045.30	Individual	Washington	DC	DC	Education	<p>On 4/10/2011 an employee from the Department of Homeland Security transferred to the Department of Education. Through the process of determining the employee's eligibility for a within grade increase it was noted that the employee's pay scale was established with the correct grade but incorrect step (GS grade-step 5 vs. GS grade-step 2).</p> <p>An action to correct the error in the payroll system was initiated and processed on 12/2/2011. A subsequent action for a within grade increase was processed on 12/3/2011.</p> <p>The National Business Center (NBC) is responsible for determining the final amount of overpayment. The NBC provided the employee with a debt collection notice on 12/12/2011. That notice provided the employee with the option to submit payments, make payment arrangements or submit a waiver request to the Department. On December 15, 2011 the employee submitted a waiver request. To date that request is in process with the Department's internal office of hearings and appeals.</p>	<p>The ED HCCS identified the need to conduct further quality review of personnel actions prior to their release to NBC for processing and payment.</p> <p>As of August 2011, all personnel actions require a quality review and release by a team leader or manager instead of a personnel specialist. Training has also been procured to strengthen the knowledge of pay setting procedures and policies as well as enhancing the training of other human resource program areas.</p>
10/26/2011	\$216,686.10	Entity	Various	Various	Various	PELL	<p>On Monday, 10/24/2011 all Pell obligations in one feeder file were erroneously</p>	<p>On 11/19/2011, the G5 application logic was modified to fix the root cause. Until G5 was fixed,</p>

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11/22/2011	\$8,295.00	Entity	Cresco	Howard	Iowa	Direct Loan	<p>duplicated in G5. As a result, overpayments totaling \$216,686.10 were issued between 10/24 and 10/26. This total amount reflects overpayments issued to 30 Pell grant awards. In response the Department disabled the G5 system automated batch feeder until further notice.</p> <p>In order to prevent a re-occurrence the feeder processes were run manually, generating multiple reports and alerts. These efforts were done hourly in order to monitor the feeder processing and continued until the causal factors were determined and corrected.</p> <p>On October 28, 2011 all affected Pell recipients were notified via an email, which described the issue and provided recipients the option of either submitting a refund or having their subsequent Pell disbursement off set by the identified amount. All funds were recovered by November 29, 2011.</p>	<p>all feeder files were monitored closely and an automated alert was created to immediately detect instances of duplicate processing and prevent additional improper payments. No additional improper payments have occurred and the automated alert remains in place after the logic change.</p>
							<p>In August 2011 the G5 system feeder underwent repairs to correct an assignment error identified on June 17, 2011. While other assignment data errors were corrected at that time, this particular assignment error was undetected. As a result of this improper payment and to ensure that no data issues remained the Department analyzed all active grant and payee historical assignments to validate the accuracy of their assigned DUNS numbers and corresponding banking information. Specifically, DUNS assignments were validated against the recipient's name and location. No additional errors were detected. This analysis was</p>	

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							<p>and 9/13/2011 for \$3,568 were withdrawn from a Direct Loan award for the International Yacht Restoration School and paid to the Total Look Cosmetology School.</p> <p>The investigations also revealed that on October 17, 2011, after the improper payments were received, the Total Look Cosmetology School, reported that an incorrect DUNS number and corresponding bank account information had been assigned to the Total Look Cosmetology School for the award. While the Department corrected the DUNS number and corresponding banking information in the G5 system, the improper payments were not reported until November 22nd.</p> <p>On November 29th, the Department requested a refund from the Total Look Cosmetology school. On December 12, 2011, a refund for the full amount was received and returned to the International Yacht Restoration School.</p>	<p>conducted between November 26 – 30th.</p>
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