



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE CHIEF FINANCIAL OFFICER

MEMORANDUM

DATE: April 30, 2012

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

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

SUBJECT: Report on High-Dollar Overpayments for the Quarter Ended March 31, 2012

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 January 1, 2012 through March 31, 2012, the U.S. Department of Education (Department) identified improper payments totaling \$30,365,119.38. 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 Craig Stanton at (202) 245-8102.

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

**U.S. Department of Education
High-Dollar Overpayments
January 1, 2012 to March 31, 2012**

Date	Amount	Payment Type (Individual / Entity)	Location			Cognizant Program	Recovery Action(s) Taken / Planned	Future Preventive Action(s)
			City	County	State			
1/17-18/12	\$28,794,779.23	Entity	Various	Various	Various	FSA/DLCS	<p>On January 17th and 18th, Federal Student Aid processed 70 duplicate Direct Loan Consolidation System (DLCS) payments totaling of \$28,794,779.23.</p> <p>The overpayments were the result of a processing error at the servicer. The servicer thought the initial file processing had been aborted; however, it had not. Staff moved the file to a second server and resubmitted the file with a different transaction identification. As the initial file transaction had not successfully aborted, both files were processed, causing duplicate payments.</p> <p>The Department was notified by the servicer within one business day of the error. The servicer's staff immediately contacted all the effected recipients. As of March 2, 2012 all funds have been recovered.</p>	FSA is working to implement preventive controls.

**U.S. Department of Education
High-Dollar Overpayments
January 1, 2012 to March 31, 2012**

Date	Amount	Payment Type (Individual / Entity)	Location			Cognizant Program	Recovery Action(s) Taken / Planned	Future Preventive Action(s)
			City	County	State			
1/20/12	\$30,259.66	Entity	Various	Various	Various	FSA/FLS	<p>On January 20, 2012, the Pennsylvania Higher Education Assistance Agency (PHEAA) notified the Department that it had inadvertently received \$30,259.66 in funds that should have been issued to a different servicer.</p> <p>On 11/4/11, PHEAA received the Treasury checks from the U.S. Department of State. PHEAA reviewed the checks and concluded that these funds were misdirected to them by U.S. Department of State.</p> <p>On 11/23/11, a processor incorrectly read the Treasury checks and erroneously initiated refunds to AmeriCorps rather than to the U.S. Department of State.</p> <p>The incorrect refund was identified on 1/13/12, via staff review of the Treasury's Payments, Claims & Enhanced Reconciliation (PACER) system. A representative from PHEAA contacted AmeriCorps to request the return of the funds. PHEAA informed the Department of State of the misdirected funds.</p> <p>On 2/14/12 PHEAA received the funds from AmeriCorps and initiated an IPAC to the correct servicer.</p>	PHEAA provided training to all processors to prevent this type of incident from occurring again.
1/26/12	\$15,354.66	Entity	Various	Various	Various	FSA/SLM	<p>On January 26th, Sallie Mae (SLM) notified the Department that it had inadvertently received \$15,354.66 in funds intended for another servicer; those funds were refunded to an</p>	SLM provided additional training to staff on how to identify and appropriately refund each agency, such as CNCS or the US Senate

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							<p>incorrect address at Treasury.</p> <p>In January SLM received the Treasury checks from several agencies however they could not post because the borrowers were not serviced by SLM federal. Due to human error these monies were refunded to the wrong address at Treasury.</p> <p>All the refunds were returned to SLM by January 12, 2012 through the refund cancellation process. SLM reissued the refunds to the correct agency address on or before January 25, 2012.</p>	that sends in a payment.

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Date	Amount	Payment Type (Individual / Entity)	Location			Cognizant Program	Recovery Action(s) Taken / Planned	Future Preventive Action(s)
			City	County	State			
1/31/12	\$1,524,725.83	Entity			Georgia	FSA/FFEL	<p>On 1/31/2012 the Guaranty Agency (GA) No. 713 notified the Department that it received an overpayment of \$1,524,725.83.</p> <p>In processing the November reports for the GA No. 713, the Federal Student Aid financial management specialist accepted the Guaranty Agency Financial Report (GAFR) and supplemental out of order. The November GAFR was accepted in FSA's Financial Management System (FMS) first, creating an invoice for the full month's claims of \$1,815,027.70; then the November supplemental was accepted in FMS, creating a duplicate invoice for the supplemental claims resulting in a total payment of \$3,339,753.53. After processing the GAFR, the specialist should not have accepted the supplemental in FMS (i.e., it should have been rejected). Further, the accountant responsible for scheduling the payment batch in FMS should have cancelled this item and informed the specialist.</p> <p>On 2/3/2012, GA 713 submitted its January GAFR to correct the error and return the overpayment. Federal Student Aid evaluated this report and processed it by 2/10/2012.</p>	<p>To prevent future problems, FSA is taking two actions:</p> <p>1) FMS Change Request (CR) No. 1728 has been created to prevent the acceptance in FMS of a supplemental after approval of the monthly GAFR submission for that same reporting period, and;</p> <p>2) The Funds Control and Accounting Operations Branch updated their payment procedures. Management reviewed the error with staff and trained the staff on these new procedures.</p>