



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

October 28, 2011

MEMORANDUM

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

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

SUBJECT : Report on High-Dollar Overpayments for the Quarter Ended September 30, 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 July 1, 2011 through September 30, 2011, the U.S. Department of Education (Department) had identified improper payments totaling \$868,521.78. 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: w/attachment
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

400 MARYLAND AVE. S.W., WASHINGTON, DC 20202
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U.S. Department of Education
 High-Dollar Overpayments
 July 1, 2011 – September 30, 2011

Date	Amount	Payment Type (Ind/Entity)	Location			Cognizant Program	Recovery Action(s) Taken/Planned	Future Preventive Action(s)
			City	County	State			
8/30/11	\$859,264.66	Entity	Various	Various	Various	Pell Grants	<p>From 8/26 – 8/30, 40 entities received overpayments totaling \$859,264.66 based upon overstated account balances. These excess payments were the result of an automated system error. A Pell Feeder File with Obligations was rolled into a batch file for posting on 8/26/2011. Due to system slowness, the batch file did not complete its run within 30 minutes. As a result, an automated recovery process created a 2nd batch file which caused duplicate postings in the financial system for 512 obligation transactions totaling \$44,998,576.57.</p> <p>The Department successfully cancelled and prevented 25 improper payments totaling \$3,340,991.91. All of the 40 overpayments that were not prevented were recovered as of 10/26/2011. Some payees refunded their overpayments; others adjusted their balances from other awards or allowed new Pell funding obligations to offset the amounts owed. Validation reports were created to track the status of funds recovery.</p>	<p>When the error was discovered, the Department immediately increased the recovery alert threshold from 30 minutes to 3 hours. In the short term, the Department plans to disable the automatic recovery process during the next system upgrade. When a process needs to be recovered, an email alert will be sent for further investigation. The Department is researching the alternatives for automating the recovery process long term.</p>

8/23 /11	\$9,257.12	Individual	Denver	Denver	CO	Education	<p>The National Business Center (NBC) received a request to payout annual leave for a retiree in the amount of \$9,257.12. The request was received as a manual request, a pay daily, which is outside of the normal request procedures. The manual payment was initiated because the retiree had not been issued their annual leave payment within the normal procedural timeframe of two pay periods after separation.</p> <p>Upon receipt of the request the NBC staff followed protocol, reviewed the request and seeing that it had not been paid, processed the request and issued a payment on 8/9/11. During the processing of the payment the account did not get flagged as paid. As a result the automated system recognized the request as needing to be processed and duplicated the procedure, payment was issued 8/23/11.</p> <p>NBC has a third party review all lump sum payouts; it was through this review that the duplicate payment was identified. In response to the duplicate payout NBC instituted their debt collection procedures to recover the duplicate payment in the amount of \$9,257.12, which was recovered on 9/27/11.</p>	<p>The NBC will review its lump sum annual leave processing procedures and debt collection procedures and the Department will examine existing controls to ensure sufficient procedures are in place to prevent improper payments. The Department also is in the process of implementing a continuous monitoring software program designed to detect and prevent duplicate and other improper payments.</p>
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