
Analysis of GAPS Duplicate Payments

FINAL MANAGEMENT INFORMATION REPORT



Control Number A11-B0001
March 2001

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U.S. Department of Education
Office of Inspector General
Washington, DC



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

MAR 30 2004

TO : Mark Carney
Office of Chief Financial Officer

FROM : Lorraine Lewis *Lorraine Lewis*

SUBJECT : FINAL MANAGEMENT INFORMATION REPORT
Analysis of GAPS Duplicate Payments
Control Number A11-B0001

Attached is our subject final management information report that covers the results of our Analysis of GAPS Duplicate Payments. We received your comments concurring with the findings and recommendations in our draft report.

Please provide the Supervisor, Post Audit Group, Financial Improvement, Receivables and Post Audit Operations, Office of Chief Financial and the Office of Inspector General, Planning, Analysis and Management Services with semiannual status reports on promised corrective actions until all such actions have been completed or continued follow-up is unnecessary.

In accordance with the Freedom of Information Act (Public Law 90-23), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act. Copies of this audit report have been provided to the offices shown on the distribution list enclosed in the report.

We appreciate the cooperation given us in the review. Should you have any questions concerning this report, please call Jack Rouch, Director, Systems Internal Audit Team at (202) 260-3878.

Attachment

EXECUTIVE SUMMARY

This report presents the findings of our Grant Administration and Payment System (GAPS) duplicate payments analysis. The objective of our analysis was to identify information in the GAPS database and Federal Reserve Bank (FRB) records that could indicate duplicate payments, which we define as two payments for the same purpose. Before we began our analysis, the Department identified eight instances of duplicate GAPS payments totaling \$198 million that occurred during the period covered by this analysis, May 11, 1998, to September 30, 2000.

Analysis Results

We found 13 additional instances of duplicate payments totaling approximately \$55 million. The recipients returned all funds to the Department except for \$2,175 that was kept by a recipient and deducted from its grant balances. We identified another nine GAPS transactions for approximately \$5.9 million that could be potential duplicate payments.

We identified four payments totaling approximately \$339,000 that were paid to the wrong recipients in Fiscal Year 1999. We found 35 payments totaling approximately \$18 million, including approximately \$2.2 million in fiscal year 2000, which were not adequately explained by OCFO. We identified five instances in which ED posted duplicate increases in Pell grant authorizations to recipients' accounts. We found that the Department made payments to two frozen bank accounts associated with an alleged fraud scheme, and we identified six likely duplicate payments that occurred prior to the implementation of GAPS.

Recommendations

We recommend that the Chief Financial Officer:

1. Initiate procedures to actively identify and prevent duplicate payments,
2. Review the procedures for posting grant authorizations to ensure that recipient drawdowns are limited to the intended grant authorization amount, and
3. Review the procedures for changing bank accounts and removing bank account flags to ensure that payments are not sent to an incorrect bank account.

Future OIG Work Relating to GAPS Duplicate Payments

This analysis is the first of a series of projects focusing on the Department's payment processes. We will initiate a subsequent review of GAPS transactions that will include the nine potential duplicate payments and the other issues described above.

OCFO Response to Report

OCFO agreed to address our first recommendation in their corrective action plan addressing the recommendations made in the Report on Internal Control issued with the Department's fiscal year 2000 financial statements. OCFO also agreed to review the procedures referred to in the second and third recommendations and prepare written corrective actions to strengthen the procedures.

BACKGROUND

The U.S. Department of Education (ED) began deployment of a new core financial system in October of 1997. The system, known as the Education Central Automated Processing System (EDCAPS), is managed by the Office of the Chief Financial Officer (OCFO). EDCAPS consists of three major components:

- Grant Administration and Payment System (GAPS)
- Financial Management Systems Software (FMSS)
- Contracts and Purchasing Support System (CPSS).

GAPS supports grant planning and award management of ED programs, including discretionary, formula, fellowship, and block grants. GAPS also interfaces with other program office systems, referred to as program feeder systems, to process their obligation and payment data. The program feeder systems typically support planning, scheduling, and award processes performed by the program offices to manage their programs (for example, Impact Aid, Campus-Based, and Pell). GAPS controls payments for ED's programs, including payments for grants and direct loans and various other program-related obligations. This system serves as a subsidiary to the FMSS general ledger for program-related obligations, payments, and expenditures. GAPS interfaces with FMSS at the summary level for purposes of funds control and general ledger postings.

Payment requests from GAPS are transmitted to the Federal Reserve Bank (FRB) of Richmond, Virginia. The FRB, in turn, transmits payments to the recipients by either the Fedwire or Automated Clearing House (ACH) electronic funds transfer systems. Larger recipients generally use the Fedwire system and smaller recipients generally use the ACH system.

GAPS became operational on May 11, 1998, replacing the Payment Management System (PMS). A major feature of GAPS is the ability of grant recipients to request drawdowns over the Internet, which is how the majority of payments are requested. Recipients can also request funds over the telephone by calling the GAPS help desk and asking an ED employee or contractor to initiate a payment. The Department has established cash management guidelines that limit the amount of cash a grantee can hold to their immediate requirements. Once a grant award is established in GAPS, there is no system control that prevents a recipient from drawing excessive funds within the total authorized for the particular grant.¹ However, as part of the recipient's annual audit, an independent public accountant evaluates the recipient's compliance with the Department's cash management guidelines.

Before we began our analysis, the Department identified eight instances of duplicate GAPS payments totaling \$198 million that occurred during the period covered by this analysis.

¹ Audit of Drawdown Controls in Grant Administration and Payment System: Control Number A03-80010, September 2000.

OBJECTIVE, SCOPE, AND METHODOLOGY

This analysis is the first of a series of projects focusing on the Department's payment processes. This report presents the findings of our analysis of GAPS payments. The objective of this analysis was to identify information in the GAPS database and FRB records that could indicate duplicate payments of program funds. Our analysis covered GAPS payment activity during the period from May 11, 1998, to September 30, 2000. We did not review GAPS processes or evaluate internal controls; nor did we review administrative payments made by other Department processes. We restricted our efforts to evaluating transaction documentation provided by the Department and the FRB.

Data Retrieval

To accomplish the above objective, we requested and received from OCFO the data dictionary describing the database table structure and data elements of GAPS. We then identified specific tables and data elements that support GAPS payment capabilities, and obtained related GAPS data for the period from May 11, 1998, to September 30, 2000.

We requested payment data from the FRB covering the same period. The FRB was able to provide tapes containing payment transactions (the "sender file") processed through Fedwire for the period of our analysis. The FRB also provided us with Fedwire funds transfers from recipients to ED (the "receiver file"). However, the FRB did not keep backup data supporting ACH transactions for the entire period of our analysis. FRB was only able to provide ACH payment transaction data covering the following periods:

- September 28, 1999, to December 8, 1999;
- December 14, 1999, to February 16, 2000; and
- August 8, 2000, to October 2, 2000.

Additionally, we accessed the GAPS help desk tracking system that documents resolution of help desk calls, including reports of duplicate payments received by recipients.

Analysis

FRB and GAPS data records were analyzed to identify duplicate payments. Specifically,

- FRB Fedwire and ACH records were queried for duplicate control numbers that may have resulted from a payment file being sent to the FRB more than once.
- FRB Fedwire records were queried for receiver file records which represent transactions transferring funds from a recipient to ED. Such transactions can result from returns of duplicate payments.

Analysis of GAPS Duplicate Payments

- FRB Fedwire records were queried for duplicate amounts to the same payee sent to different banks within a seven-day period.
- FRB Fedwire and available ACH payments were matched to GAPS payments to identify unrecorded or inaccurately recorded payments.
- GAPS payment request data was queried to identify requests for duplicate amounts to the same recipient within seven days where at least one requester for payment was an ED employee.
- GAPS payment request data was queried to identify duplicate requests for the same amount to the same recipient on the same day.
- GAPS help desk system was queried to identify potential duplicate payments.

We also traced previously identified duplicate payments to our query results to verify the sufficiency of our query selection.

Some of our queries involved a large number of transactions to evaluate. When this occurred, we established minimum dollar amounts to reduce the number of transactions requiring followup. We forwarded these transactions to OCFO and requested that they review the selected transactions to determine whether they represent improper payments. We also asked OCFO to provide documentation supporting their conclusions. Our first transmittal to OCFO was submitted November 14, 2000, and they responded November 28, 2000. A second request was submitted to OCFO on December 21, 2000, and they responded January 11 and January 17, 2001. Finally, a third request was sent to OCFO on January 10, 2001, and they responded January 19, 2001.

RESULTS AND RECOMMENDATIONS

OCFO's responses to our requests and to the draft report indicated 13 duplicate payments and 9 potential duplicate payments. We also found 4 payments to the wrong recipients and 35 payments that were not adequately explained by OCFO. Other analyses of the GAPS and FRB data identified duplicate increases of Pell grant authorizations and payments made to two frozen bank accounts associated with an alleged fraud scheme. GAPS help desk data identified six likely PMS duplicate payments.

Thirteen Duplicate Payments

Our review identified 13 instances of duplicate payments totaling approximately \$55 million that occurred in fiscal years 1998, 1999, and 2000 that were not previously identified by OCFO. These instances occurred when OCFO submitted two payment requests to the FRB for a single drawdown, or the award showed up twice on the GAPS website. In OCFO's responses to our queries and to the draft report, it agreed these duplicate payments occurred. The recipients returned all funds to the Department except for \$2,175 that was kept by a recipient and deducted from its grant balances. These duplicate payments are summarized below:

\$19,000,000 - Oklahoma State University requested funds on January 7, 1999. In GAPS, there is a return posted on the same day as the request. The funds were returned on January 20, 1999.

\$15,588,710 - A manual payment was made to Electronic Data Systems Corp. on May 8, 1998, because PMS was shut down for the conversion to GAPS. On May 15, 1998, OCFO entered the manual payment into GAPS to record it. This action created a payment request record, which was sent to FRB by mistake, creating a duplicate payment. The payment was requested back by OCFO the same day.

\$13,688,178 - Pennsylvania State Dept of Education requested funds on October 19, 1999. In GAPS, there is a return posted per originator request on the same day as the request. The funds were returned on October 20, 1999.

\$4,800,000 - Corporation for Public Broadcasting requested funds on July 28, 1999. In GAPS, there is a return posted on the same day as the request. The funds were returned on August 2, 1999.

\$1,013,595.07 - North Carolina Department of Health and Human Services requested funds twice on March 16, 2000. The state confirmed the duplicate request and returned the second payment on the same day.

\$774,216.14 - Connecticut State Department of Education requested funds on December 14, 1998. In GAPS, there is a return posted on the same day as the request. The funds were returned on December 23, 1998.

\$101,055 - Duplicate payments were made to WestEd on September 14, 1998, because the award showed up twice on the GAPS website, according to OCFO. The recipient returned the funds on October 29, 1998.

\$42,000 - A payment was transmitted to the Commonwealth of Virginia on November 10, 1998, and again on November 12, 1998. The error was found and FRB confirmed reversal of the second transaction on November 16, 1998.

\$33,460.63 - Duplicate payments were made on June 5, 1998, for a grant to the California State University Sacramento Foundation. The duplicate payment resulted from two different bank accounts being established for the award. According to a help desk record, the second

Analysis of GAPS Duplicate Payments

payment went to a bank account that did not belong to the grantee. Funds were returned June 8, 1998. OCFO states that GAPS has been modified to prevent grant mapping to more than one bank account.

\$1,728 - Duplicate payments were made to Martin Luther College on September 3, 1998, because the award showed up twice on the GAPS website, according to OCFO. The funds were returned on September 10, 1998.

\$1,175 - Duplicate payments were made to Wheatridge Beauty College on May 15, 1998, because the award showed up twice on the GAPS website, according to OCFO. The school chose to keep the duplicate funds for other expenditures.

\$1,000 - Duplicate payments were made to Wheatridge Beauty College on May 15, 1998, because the award showed up twice on the GAPS website, according to OCFO. The school chose to keep the duplicate funds for other expenditures.

\$13.60 - A payment to the State of Oklahoma was transmitted on October 12, 1999, and again on October 13, 1999. The error was found and FRB confirmed reversal of the second transaction on October 21, 1999.

Nine Potential Duplicate Payments

Our queries of the FRB and GAPS transactions and the subsequent OCFO review identified nine transactions for \$5.9 million that could be duplicate payments. OCFO did not agree that the nine transactions were duplicate payments. In our followup to this analysis, OIG will attempt to confirm the validity of these transactions and identify the cause of any such duplicate payments. A discussion of the nine transactions follows.

Four Returned Payments Marked “Duplicate Entry”

We found four payments for approximately \$3.4 million, including \$319,000 in fiscal year 2001, that were returned by the recipients. GAPS records indicate the reason for the returns was “duplicate entry.” OCFO did not determine the actual cause, but OCFO stated that “duplicate entry could have resulted from [the] recipient requesting funds twice by mistake or GAPS could have sent a duplicate payment.” These payments are summarized below:

Recipient Name	Amount	Date of 1st Entry	Date of 2nd Entry
Developmental Services California Dept.	2,665,616.29	06/03/98	06/03/98
Florida A&M University	329,101.00	09/29/98	09/29/98
Education Mississippi State Dept.	319,185.22	10/31/00	10/31/00
Piedmont Technical College	117,755.64	04/13/99	04/13/99
Total	\$3,431,658.15		

Three Returned Payments Identified by Recipients as Errors

A total of \$2.3 million in payments were made to three recipients who received identical payments within seven day periods, including \$964,000 in fiscal year 2000. The recipients returned the funds with explanations of “wrong amount,” “received in error,” and “wire sent in error.” Moreover, the returns were incorrectly coded in GAPS to show that ED requested the return of funds instead of the recipient initiating return of the funds. OCFO has not determined whether these transactions were duplicate payments. These payments are summarized below:

Recipient Name	Amount	Date of 1st Entry	Date of 2nd Entry
Education New Jersey Dept. of	\$1,076,701.00	10/01/98	10/01/98
Education New York Dept. of	963,687.00	09/11/00	09/12/00
Indiana University	241,393.00	06/22/98	06/24/98
Total	\$2,281,781.00		

Two Returned Payments Identified by Recipients as Duplicate

Payments totaling \$220,000, including approximately \$93,000 in fiscal year 2000, were returned by the recipients, who identified them as duplicates. The New Jersey Department of Labor returned \$126,751 on July 14, 1998, and the Tennessee Department of Human Services returned \$92,951 on September 8, 2000. OCFO did not provide any additional evidence about these payments.

Other Matters

In the course of our analysis of duplicate payments we found four additional issues related to GAPS payment operations including payments to wrong recipients, payments returned that were not adequately explained, Pell grant authorizations entered twice, and payments made to two frozen bank accounts. We also identified six likely duplicate payments from the PMS system that were corrected after GAPS was implemented.

Four Payments to Wrong Recipients

Our review also identified four fiscal year 1999 payments totaling approximately \$339,000 paid to the wrong recipients. Three of these payments were made because an incorrect DUNS number had been entered into GAPS. The DUNS number is a unique identifying number adopted by GAPS to distinguish among grant recipients. All three payments were returned. These payments are summarized below:

\$293,034.96 - Funds due to Hydaburg City School District of Alaska (DUNS 174610147) were sent in error on August 1999 to the Alaska Department of Education (DUNS 157645995).

\$15,669.94 - Funds due to Woodville Independent School District in TX (DUNS 087720769) were sent in error on March 25, 1999, to the University of Texas in Austin (DUNS 170230239).

Analysis of GAPS Duplicate Payments

\$5,301.50 - Funds due to Woodville Independent School District in TX (DUNS 087720769) were sent in error on March 19, 1999, to the University of Texas in Austin (DUNS 170230239).

In addition, GAPS help desk records indicate a March 1999 payment was paid to the wrong school. When the funds were refunded, ED posted the refund to the wrong school's account.

\$24,504 - Tri-City Barber School received a payment in March 1999 that was not requested. The money was intended for the Parents Union for Public School. Tri-City refunded the money. However, the refund was applied to Tri-City (thereby increasing Tri-City's available funds) instead of Parents Union.

Thirty-Five Payments Returned – Not Adequately Explained

We found 35 payments totaling approximately \$18 million, including approximately \$2.2 million in fiscal year 2000, which were not adequately explained by OCFO. The payments were returned by FRB to ED with reasons such as “unable to locate account,” “unidentified,” “per customer request,” “wrong amount,” “sent in error,” “does not belong to beneficiary,” and “name and account number do not agree.” OCFO did not provide us with evidence to support the legitimacy of the payments. According to a recent GAO report, titled “Financial Management: Billions in Improper Payments Continue to Require Attention” (GAO-01-44), dated October 27, 2000:

Improper payments include payments that should not have been made or were made for incorrect amounts irrespective of whether the agency had effective controls in place. Specifically, improper payments would include inadvertent errors, such as duplicate payments and calculation errors, payments for unsupported or inadequately supported claims; payments for services not rendered or to ineligible beneficiaries; and payments resulting from outright fraud and abuse.

These 35 payments could be improper. Additional testwork, involving contacts with the recipient, would be needed to determine the validity of these payments. See Attachment A for details.

Pell Grant Authorizations Entered Twice

During our review of help desk inquiries we identified five instances totaling approximately \$615,000, including approximately \$27,000 in fiscal year 2000 and \$2,000 in fiscal year 2001, in which ED posted duplicate increases in Pell grant authorizations to recipients' accounts. GAPS staff processed three transaction batches twice, which produced these five instances. No duplicate payment or inappropriate drawdown resulted from these five instances. However, the three transaction batches may have included additional Pell grant authorization increases for other recipients, thereby increasing the Department's potential risk of over-disbursing. We recommend that OCFO review the procedures for posting authorizations to ensure that recipient drawdowns are limited to the intended grant authorization amount.

Analysis of GAPS Duplicate Payments

In our followup analysis, OIG will determine whether ED corrected the accounts of other recipients that were included in those batches, and we will review for any additional batches that were incorrectly posted. These authorization increases are summarized below:

Team Track ID	Award Number(s)	DUNS No.	Date Submitted	Amount
ED0005470	P063P984460	not listed	11/02/1998	\$207,308.00
ED0005486	P063P984929	087256061	11/03/1998	378,879.00
ED0018072	P063P993780	091062695	09/11/2000	633.00
ED0018209	P063P003464	078776333	09/29/2000	26,100.00
ED0018318	P063P004369	083845131	10/16/2000	2,041.00
		Total		\$614,961.00

Payments Made to Frozen Bank Accounts

In April 2000, the United States seized two bank accounts allegedly used in a fraud scheme against the Department. As a result, the bank froze those accounts so that no money could go in or out of them. During our GAPS analysis, one of our queries disclosed attempts to make grant payments to the frozen bank accounts in August 2000. Because the accounts were frozen, the payments were returned and were later forwarded to the correct grant recipients. We discussed the event with OCFO to determine the circumstances surrounding the attempted payments. While the bank account records were being maintained in GAPS for use as possible evidence, the bank account information had been flagged as “invalid” in GAPS to prevent payments to them. Department personnel, attempting to make authorized payments to the grant recipients, removed the flags in August 2000. Once the mistake was identified, the bank accounts were flagged again as invalid in GAPS. We recommend that the CFO review the procedures for changing bank accounts and removing bank account flags within GAPS to ensure that similar human errors are not repeated.

Six Likely PMS Duplicate Payments

Six payments, totaling approximately \$2.0 million, appear to be duplicated from the PMS system that preceded GAPS. Although our analysis focuses on payments made by GAPS, we asked OCFO about these PMS payments because our analysis of help desk records indicated the payments were likely duplicates. In addition, these discrepancies were discovered during our analysis period. However, OCFO did not comment on these transactions because they were not GAPS payments. These payments are summarized below:

\$1,600,000 - The University of Georgia had a duplicate drawdown on December 12, 1997. It sent a refund check to the Department, but the refund was credited to the University of Maine at Augusta, increasing Maine’s available funds. Georgia alerted the GAPS help desk in October 1998, and an adjustment was subsequently made.

\$309,882 - Texas Southern University received a duplicate payment in April 1998, and returned the funds in September 1998.

\$33,613 – The Full Fell Center for the Recording Art made a duplicate drawdown of its Pell

Analysis of GAPS Duplicate Payments

money on May 14, 1998. OCFO did not indicate whether these funds were returned.

\$17,234 - The United States International University was sent a duplicate amount on June 28, 1998, which was not requested by the recipient.

\$9,508 - The Ramapo College of New Jersey discovered a discrepancy on one of its awards, and sent a refund check to the Department on June 8, 1998.

\$6,596 - Marin Beauty College had a refund check on January 22, 1999, which never cleared, and requested the amount be posted back in GAPS.

Department Actions

The Department's March 2000 report entitled, "Department-wide Objectives, 1999 Performance Reports and 2001 Plans," submitted under the Government Performance and Results Act (GPRA), includes the following statement:

The Student Financial Assistance (SFA) program and the Office of the Chief Financial Officer (OCFO) have made some duplicate improper payments. The Department takes this issue very seriously and is working to enhance procedures to prevent any improper or duplicate payments.

To improve the identification of improper payments, SFA and OCFO will be doing additional work with the offices that have monitoring and oversight responsibility for postsecondary institutions, lenders, and guaranty agencies. Procedure changes have been implemented in the OCFO to prevent duplicate payments.

On October 12, 2000, the Inspector General recommended that the Department "proactively develop its own approach or methodology for annually estimating improper payments." The development of an improper payment estimate could be a valuable GPRA performance indicator.

Future OIG Plans

Our analysis of GAPS payments was limited to the documentation available at the Department and FRB. In a number of cases, the Department was unable to provide information about payments beyond that available from FRB. In other cases, OCFO reviewed transactions and told us the transactions were not duplicates; however, it did not provide sufficient evidence to support this conclusion. As a result, we are unable to conclude on the propriety of a number of transactions selected by our queries. In addition, we gave priority to large payments when we selected our sample. We will initiate a subsequent review of GAPS transactions that will include the 9 potential duplicate payments, the 4 payments to the wrong recipients, the 35 payments not adequately explained by OCFO, the duplicate increases in Pell grant authorizations, the 6 likely PMS duplicate payments, and a number of payments for smaller amounts which were not submitted to OCFO for their review. This review will include contacting recipients to ascertain the circumstances surrounding selected payments.

Recommendations

We recommend that the Chief Financial Officer:

1. Initiate procedures to actively identify and prevent improper payments,
2. Review the procedures for posting grant authorizations to ensure that recipient drawdowns are limited to the intended grant authorization amount, and
3. Review the procedures for changing bank accounts and removing bank account flags to ensure that payments are not sent to an incorrect bank account.

OCFO RESPONSE TO REPORT

In their response to our draft report, OCFO acknowledged that they have additional work to do in this area. They confirmed that three payments initially identified as potential duplicate payments and another payment that was listed as not adequately explained were, in fact, duplicate payments. Furthermore, after OCFO responded to our draft report they were able to confirm another duplicate payment. We amended our final report to reflect these five additional confirmed duplicates. We also amended our final report to better distinguish potential duplicate payments (the subject of our analysis) from potential improper payments (a broader category).

One of the 13 duplicate payments resulted from a duplicate request by the recipient. OCFO is attempting to determine whether the other 12 duplicate payments resulted from a duplicate request by the recipient or a control failure within the Department's disbursing process. They said our first recommendation would be addressed in their corrective action plan to address recommendations made in the Report on Internal Control issued with the report on the audit of the Department's fiscal year 2000 financial statements. OCFO agreed to review the procedures referred to in the second and third recommendations and to prepare written corrective action steps to strengthen the procedures.

35 Payments Returned – Not Adequately Explained

<u>DUNS</u>	<u>Recipient Name</u>	<u>Total Amount</u>	<u>FY 2000</u>	<u>Date Returned</u>
1 789173308	KY State Univ Mail Room	\$29,882.00		02/22/98
2 604722629	American Intercontinental Univ	\$84,422.00		05/22/98
3 806782173	Education New York Dept of	\$37,975.88		06/17/98
4 789173309	KY State Univ Mail Room	\$590.00		06/30/98
5 807308788	New Jersey Dep of Labor	\$71,985.00		08/21/98
6 024481876	Southast Ala Edcatn Otrach Llc	\$6,000.00		09/01/98
7 011144198	Department of Family	\$908,290.19		10/15/98
8 868853094	University of New Mexico	\$138,550.00		10/19/98
9 004426771	University of Florida	\$8,700,000.00		01/15/99
10 854811684	Government of the Federated States of Micrones	\$2,838,831.00		01/27/99
11 157645995	Education Alaska Department	\$2,100.00		02/09/99
12 174097410	County of Okaloosa	\$1,500.00		02/15/99
13 001910777	Johns Hopkins University	\$13,148.00		04/20/99
14 001910777	Johns Hopkins University	\$37,517.00		04/20/99
15 001910777	Johns Hopkins University	\$62,787.00		04/20/99
16 001910777	Johns Hopkins University	\$2,480,085.00		04/20/99
17 929332658	West Virginia University	\$6,390.00		04/23/99
18 075617902	Parkland College	\$48,627.00		04/28/99
19 174097410	County of Okaloosa	\$310.00		05/04/99
20 020657151	Research Foundation Suny	\$115,495.00		07/21/99
21 031059210	ATI Enterprises Inc	\$238,190.00		08/03/99
22 039240510	Microcomputer Technology Inst	\$5,848.98		09/16/99
23 004426771	University of Florida	\$352,000.00	\$352,000.00	10/21/99
24 623751831	Florida A&M University	\$319,961.00	\$319,961.00	10/26/99
25 623751831	Florida A&M University	\$942,727.00	\$942,727.00	10/26/99
26 808346555	Department of EducationIiowa	\$28,788.05	\$28,788.05	10/26/99
27 878147602	Human Services Colorado Dept	\$71,988.85	\$71,988.85	11/03/99
28 183872878	County of Desoto	\$24,620.16	\$24,620.16	12/01/99
29 809791296	Social & Rehabil Services	\$188,761.00	\$188,761.00	02/03/00
30 956153936	City of Lackawanna	\$75,710.00	\$75,710.00	04/12/00
31 826946337	Georgia Inst of Cosmetology	\$12,028.00	\$12,028.00	04/17/00
32 198636953	Staunton City School District	\$92,500.00	\$92,500.00	06/01/00
33 090059440	Idea Inc	\$6,100.00	\$6,100.00	06/05/00
34 614924181	Asm Beauty World Academy	\$25.00	\$25.00	08/16/00
35 063616700	Lac Courte Oreilles Tr	105,840.00	105,840.00	08/23/00
		\$18,049,573.11	\$2,221,049.06	



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

MAR 20 2001

MEMORANDUM

TO : Lorraine Lewis
Inspector General

FROM: Mark Carney *Mark Carney*
Deputy Chief Financial Officer
Office of the Chief Financial Officer

SUBJECT: Draft Management Information Report: Analysis of GAPS Duplicate Payments
(Control Number A11-B0001)

This memorandum provides a written response following our review of an Office of Inspector General (OIG) draft Management Information Report on an analysis of the Department's Grant Administration and Payment System (GAPS) duplicate payments. The objective of the OIG analysis was to identify information in the GAPS database and Federal Reserve Bank (FRB) records that could indicate duplicate payments; defined as two payments for the same purpose. This definition makes it more difficult to identify whether the control failure is on the part of the Department or the recipient. Moreover, as a period of time has elapsed since the occurrence, it is more difficult to ascertain the problem by means of interviewing recipients.

Although, we have more work to do in this area, our ongoing relationship with recipients allows us to mitigate much of the risk involved with duplicate disbursement transactions. Therefore, the Department recovered all of the funds referred to in the report as they were either returned or applied to recipient accounts. The net result was no loss to the Department.

With respect to the content of the report, prior to beginning your analysis, the Department identified eight instances of duplicate GAPS payments totaling \$198 million that occurred during the period covered by the analysis, May 11, 1998, to September 30, 2000. In a meeting with your staff on preliminary findings of the subject report, OIG and OCFO staff agreed to group thirteen additional GAPS transactions for approximately \$31.5 million as potential duplicate payments rather than potential improper payments.

Subsequent to the preliminary findings meeting, OCFO has partially completed research on items that could be duplicate or improper payments. My staff has confirmed that three of the thirteen GAPS transactions identified as potential duplicate payments were in fact duplicates. We are attempting to determine whether the recipient drew funds twice or a control failure occurred within the ED disbursement process. These transactions account for \$24.6 million, or 78%, of the amount identified. The three transactions are:

Oklahoma State University	\$19,000,000.00
Corporation for Public Broadcasting	4,800,000.00
Education Connecticut State Dept.	774,216.14

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Moreover, thirty-six payments totaling approximately \$31.7 million are considered potential improper payments, including approximately \$15.9 million in fiscal year 2000, which were returned by FRB to ED. One of the 36 payments, which the report said could be improper, was confirmed as a duplicate payment. This item accounts for 86% of the total amount included in the 36 payments. Again, we are attempting to determine whether the recipient drew funds twice or a control failure occurred within the ED disbursement process.

Pennsylvania State Dept Edu	\$13,688,178.00
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As a result of your analysis, the OIG made the following recommendations:

- initiate procedures to actively identify and prevent duplicate payments
- review the procedures for posting grant authorizations to ensure that recipient drawdowns are limited to the intended grant authorization amount, and
- review the procedures for changing bank accounts and activating inactive bank accounts to ensure that payments are not sent to an incorrect bank account.

OCFO is currently formulating a corrective action plan to address the recommendations made in the Report on Internal Control issued with the audit report for the Department's FY2000 financial statements. The first recommendation made above will be addressed in the corrective action plan. OCFO will review the procedures referred in the second and third recommendations and prepare written corrective action steps to strengthen the procedures.

Thank you for the opportunity to comment. We trust that you will consider this response in the preparation of your final report. Please contact me with any questions or concerns at 401-3892.

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