



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE CHIEF FINANCIAL OFFICER

April 29, 2011

MEMORANDUM

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

FROM: Thomas P. Skelly *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 March 31, 2011

The purpose of this memorandum is to comply with the high-dollar overpayments 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 guidance requires agencies 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, 2011 through March 31, 2011, the U. S. Department of Education identified high-dollar overpayments totaling \$1,696,759. See the 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 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.

cc: w/attachment
Ms. Phyllis Fong, Chair
Council of the Inspectors General
on Integrity and Efficiency

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

**U.S. Department of Education
High-Dollar Overpayments
January 1, 2011 to March 31, 2011**

Date	Amount	Payment Type (Individual / Entity)	Location			Cognizant Program	Recovery Action(s) Taken / Planned	Future Preventive Action(s)
			City	County	State			
1/12/2011	\$1,609,400	Entity	Renton	King	Washington	Pell	On 2/14/2011 a refund of \$1,609,400 was received and applied to the Pell award.	The Servicer for the school mistakenly initiated a refund for \$1,788,222, rather than the intended amount of \$178,822. The school's bank reversed the transaction due to insufficient funds in its bank account after the Department sent the over-refunded amount back to the school. This was a unique error but the Department will review its refund process to assess whether sufficient internal controls are in place to prevent any future incidents.
10/2010 – 02/2011	\$87,359	Entity	Cincinnati	Hamilton	Ohio	Direct Loan	Subsequent to this series of improper payments, the school successfully documented most expenses with reports of actual disbursements. A total of 16,756.71 has not been substantiated and will be recovered. The School Participation Team (SPT) has been notified of the balances, to be included in the closeout audit of this institution.	The school made 8 improper post-closing drawdowns totaling \$87,359 between Oct. 2010 and Feb. 2011 after it was closed effective 09/30/2010. A procedure was implemented to prevent similar drawdowns in the future. SPT now distributes a reconciliation report listing schools placed on Stop Payment due to closure or other reasons in addition to normal email notifications regarding any changes in payment method or status for any institution receiving Title IV funds.