

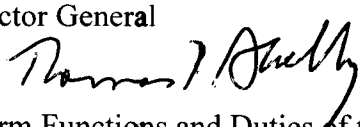


UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE CHIEF FINANCIAL OFFICER

October 18, 2010

MEMORANDUM

TO: Kathleen Tighe
Inspector General
Office of the Inspector General

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

SUBJECT: Report on High-Dollar Overpayments for the Quarter Ended September 30, 2010

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 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, 2010 through September 30, 2010, the U. S. Department of Education (Department) has identified improper payments totaling \$120,867,777. 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 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 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
 July 1, 2010 to September 30, 2010

Attachment

Date	Amount	Payment Type (Individual/ Entity)	Location			Cognizant Program	Recovery Action(s) Taken / Planned	Future Preventive Action(s)
			City	County	State			
7/27/2010	\$56,322,035	Entity	Binghamton	Broome	New York	Direct Loans	The \$56,322,035 consisted of 6 payments. The first two payments totaling \$43,530 hit wrong recipient's bank account and were refunded. The remaining four payments totaling \$56,278,505 were intercepted and returned to the Department while in transit.	<ol style="list-style-type: none"> 1. Ensure all error handling procedures are reviewed; 2. Train all staff to prevent similar transaction from reoccurring; 3. Ensure all manual processes are reviewed, and 4. Review the process for posting changes in the recipient's system maintenance.
8/13/2010	\$56,545,742	Entity	Wilkes-Barre	Luzerne	Pennsylvania	Direct Loans	<p>On August 2, 2010, the \$56,322,035 was issued to the correct recipient's bank account.</p> <p>A payment totaling \$56,545,742 was issued as a duplicate payment to that made on August 2, 2010 in the amount of \$56,322,035 plus related accrued interest totaling \$223,707.</p> <p>Recipient deposited funds in unapplied GL account and then returned the funds to FSA to offset duplicate payment on 8/13/2010.</p>	<ol style="list-style-type: none"> 1. Perform a root cause analysis; 2. Analyze organizational and staffing functions relative to payments; 3. Develop and implement process and system improvement recommendations; and 4. Accelerate FY11 A-123A testing to evaluate controls over error handling, manual interventions, and overrides within loans' payment processes.
9/30/2010	\$ 8,000,000	Entity	Livonia	Wayne	Michigan	Direct Loans	Representatives from the ED's Office of the Chief Financial Officer and the Office of the Chief Information Officer coordinated with Department of the Treasury to recover the funds. The funds were returned to ED on Tuesday, October 12, 2010.	<ol style="list-style-type: none"> 1. Original banking information used to establish the account in May 2009 was inaccurate due to a human error. Root cause was discovered in 2009 and additional controls were instituted. 2. Subject employee was disciplined and reassigned to a different task. 3. ED is exploring the purchase and utilization of a software that detects similar transactions and prevents them from being processed.
Total	\$120,867,777							