



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

THE CHIEF FINANCIAL OFFICER

Mr. Norman Dong
Acting Controller
Office of Management and Budget
1650 Pennsylvania Avenue
Room 536
Washington, D.C. 20503

DEC 5 2013

Dear Mr. Dong:

The purpose of this correspondence is to submit the U.S. Department of Education's (Department's) fiscal year (FY) 2013 Report regarding the Improper Payments Elimination and Recovery Act (IPERA) Payment Recapture Audits. The enclosed report was prepared in accordance with OMB's revised Parts I and II to Appendix C of OMB Circular A-123, issued April 14, 2011 (M-11-16). The Department initially submitted an improper payment recapture audit plan on January 14, 2011, and that plan reflects the Department's 3-tiered approach to payments recapture efforts for Tier 1 Grant Programs, Tier 2 Contracts, and Tier 3 Federal Student Aid (FSA). An update to that report, providing a detailed discussion related to the Department's efforts, was subsequently submitted to OMB on December 4, 2012¹.

Tier 1: Grants

In the January 14, 2011 improper payment recapture audit plan the Department asserted that it is not cost effective for its Grant Programs to conduct additional payment recapture activities beyond those currently in place. Based on this rationale, and the additional information provided in the December 4, 2012 recapture audit report, the Department maintains that it would not be cost effective to conduct additional recapture activities in the area of grants for FY 2013.

Tier 2: Contracts

In FY 2013, the Department initiated activities to strengthen and expand its payment recapture efforts for contract payments by utilizing recent advances in data-mining technology. The Department competed and awarded a one-year contingency-based contract to a vendor on January 23, 2013. The contractor utilized data mining technologies and was required to complete a payment recapture audit of all Department contract payments for FYs 2007-2012 (representing approximately \$10 billion in Department resources), beginning with the most recent fiscal years. This initiative supported the Department's strategic goal to improve its organizational capacity by increasing the efficient and effective use of contract resources. The Department's annual contract portfolio is approximately \$1.5 billion.

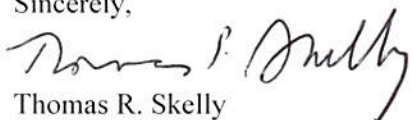
¹ See December 4, 2012 Report on the Department of Education's Payment Recapture Audits in Accordance with the Improper Payments Elimination and Recovery Act (IPERA) which can be found at <http://www2.ed.gov/about/offices/list/ocfo/fipao/2012recoveryaudit.pdf>

While the contractor has not finalized its report, it has reviewed all Department provided data from FYs 2007–2012 data. Any questioned payments identified by the contractor have been reviewed and determined to be proper payments; to date there have been no improper payments identified.

Tier 3: Federal Student Aid

The Department's December 4, 2012 Report on IPERA Payment Recapture Audits indicated that cost recovery or payment recapture audits would not be as cost effective as a replacement for, or supplement to, exiting controls for Title IV programs, including program reviews. FSA performed a cost-benefit analysis in FY 2012 and determined that it would not be cost effective to conduct additional recovery operations (e.g., a contractor-led recovery audit) above and beyond current FSA operations. FSA will continue to utilize the ongoing recovery efforts contained in its day-to-day monitoring activities, including the resolution of improper payments identified in program reviews, compliance audits, and OIG audits and investigations.

Sincerely,



Thomas R. Skelly
Delegated to Perform Functions
and Duties of the Chief Financial Officer

Enclosure

cc: Honorable Thomas R. Carper
Chairman, Committee on Homeland Security and Government Affairs

Honorable Tom Coburn
Ranking Member, Committee on Homeland Security and Governmental Affairs

Honorable Darrell E. Issa
Chairman, Committee on Oversight and Government Reform

Honorable Elija E. Cummings
Ranking Member, Committee on Oversight and Government Reform

Michael Wetklow
Office of Management and Budget

Craig Fischer
Office of Management and Budget

Flavio Menasce
Office of Management and Budget

Kathleen Tighe
Inspector General, U.S. Department of Education