



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

THE CHIEF FINANCIAL OFFICER

Mr. David Mader  
Controller  
The Office of Management and Budget  
725 17th Street, NW  
Washington, D.C. 20503

OCT 30 2014

Dear Mr. Mader:

The purpose of this correspondence is to submit the U.S. Department of Education's (Department's) fiscal year (FY) 2014 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, 2012<sup>1</sup>.

***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 still maintains that it would not be cost effective to conduct additional recapture activities in the area of grants for FY 2014.

***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. The Department's annual contract portfolio is now approximately \$2.5 billion.

The contractor reviewed all Department-provided data from FYs 2007–2012 and issued a final report in early FY 2014. All questioned payments identified by the contractor were reviewed and determined to be

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<sup>1</sup> 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>

proper payments. As in prior years, the results of this review indicate a minimal level of improper payments.

***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.

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.

Thank you for your attention to this matter. If you have any questions, please contact me at 202-401-1700 or Phillip Juengst at 202-245-8030.

Sincerely



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

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