



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

THE CHIEF FINANCIAL OFFICER

**MEMORANDUM**

April 30, 2014

**TO:** Kathleen Tighe, Inspector General  
Office of the Inspector General

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

**SUBJECT:** Report on High-Dollar Overpayments for the Quarter Ended March 31, 2014

The purpose of this memorandum is to comply with the high-dollar overpayment 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 January 1, 2014 through March 31, 2014, the U.S. Department of Education (Department) identified improper payments totaling \$146,051.81. 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 the Inspector General and OMB to explore additional opportunities for identifying and reducing potential improper payments.

If you have any questions, please contact Phillip Juengst at (202) 245-8030.

Attachment

Cc: w/attachment  
Ms. Phyllis Fong, Chair  
Council of Inspectors General  
on Integrity and Efficacy

Mr. Norman Dong, Acting Controller  
Office of Federal Financial Management  
Office of Management and Budget

U.S. Department of Education  
High-Dollar Overpayments  
January 1, 2014 to March 31, 2014

Date	Amount	Payment Type (Individual/ Entity)	Location			Cognizant Program	Recovery Action(s) Taken / Planned	Future Preventive Action(s)
			City	County	State			
11/27/2013	\$88,860.30	Individual	Memphis	Shelby	TN	Direct Loan	The borrower's account was transferred from one servicer to another servicer. The borrower's account showed a refund due of \$88,860.30. The receiving servicer generated a check to the borrower on 11/27/2013. The receiving servicer then discovered that a payment was misapplied to the borrower's account by the previous servicer. The servicer then requested stop payment which was successful and the entire amount was recovered on 1/29/2014.	The servicer that misapplied the payment to the borrower's account is in the process of transferring loans to other servicers. The loan accounts for this servicer which show a refund due are being scrutinized.
1/9/2014	\$13,945.16	Entity	Riverside	Riverside	CA	Pell	This payment is being reported during the second quarter high dollar report because due the structure and nature of servicer reporting to the Department, the cognizant program was not made aware of the overpayment until after the close of the FY14 first quarter report. The Department received a check dated 4/25/2013 for \$13,945.16. The submitting institution indicated that the check was a refund and should be applied to their award balance however the institution provided an incorrect award number and did provide a DUNS number. Further, the Department did not conduct a two point accuracy check to ensure the funds were being applied to the correct institution.  The Department reversed the refund from the wrong award and applied it to the correct award. When the Department reversed the refund it left the institution award with a negative balance. The institution was instructed to process a refund to clear out the negative balance. The refund has been verified and both awards are in balance now.	It is the policy of the Department to apply and post checks received from the public within 48 hours of receipt of the check. In order to prevent future occurrence of posting refunds to the wrong award the Department will mitigate such a risk by matching award number with DUNS number and institution name.
1/23/2014	\$34,587.35	Entity	McLean	Fairfax	VA	Administrative	The vendor submitted an invoice for \$45,714.15. The amount of the invoice on the routing sheet attached to the invoice for approval was incorrectly entered as \$80,301.50. The invoice was paid for the \$80,301.50 rather than the correct invoice amount of \$45,714.15. The Department will offset the overpayment for the total of \$34,587.35 over the course of the February and March payments. The February 2014 offset was completed in March. It is expected that the final offset will be completed in April 2014; that payment is in process.	Training and review was provided to the staff person responsible for the error. Moving forward, both the program manager and the Contracting Officer's Representative (COR) will ensure all future approval recommendations clearly denote the correct invoice amount for payment.

**U.S. Department of Education  
High-Dollar Overpayments  
January 1, 2014 to March 31, 2014**

2/26/2014	\$8,659.00	Individual	Detroit	Wayne	MI	Direct Loan Consolidation	<p>On 1/31/2014, the servicer discovered that three checks received as payments were misapplied to the wrong borrower's account. As a result, two refund checks totaling \$8,659.00 were generated to the wrong borrower. The servicer requested stop payments on both checks. One stop payment request was successful. The second check was cashed, but recovered on 3/5/2014 after the servicer contacted the borrower. All funds have been recovered and applied to the correct borrower's account.</p>	<p>The processor that misapplied the payments and the processors that initiated the refunds were coached and retrained on applying and refunding payments. All were informed of the importance of accuracy and attention to detail in order to prevent future occurrences.</p>
-----------	------------	------------	---------	-------	----	---------------------------	--	--