



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

THE CHIEF FINANCIAL OFFICER

MEMORANDUM

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

JAN 31 2013

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 December 31, 2012

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 October 1, 2012 through December 31, 2012, the U.S. Department of Education (Department) identified improper payments totaling \$267,089.33. 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 Craig Stanton at (202) 245-8102.

Attachment

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

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

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**U.S. Department of Education
High-Dollar Overpayments
October 1, 2012 to December 31, 2012**

Date	Amount	Payment Type (Individual / Entity)	Location			Cognizant Program	Recovery Action(s) Taken / Planned	Future Preventive Action(s)
			City	County	State			
10/1/2012	\$13,305.89	Individual	Charlotte	Mecklenburg	NC	Direct Loan	A previous servicer reported a duplicate borrower payment was posted. The duplicate payment presented as an overpayment and a refund check in the amount of \$13,305.89 was issued. The report of the duplicate payment was an error; the refund should not have been issued.	The Servicer has retrained its employees on processing the transaction type resulting in the error.
11/2/2012	\$7,801.88	Individual	Bath	Steuben	NY	Direct Loan	A borrower payment was applied to an incorrect account causing a credit balance. As a result a refund check was issued to an incorrect person. The borrower was notified of the incorrect refund; the borrower returned the funds via check. The return payment was received and posted to the borrower's account for the full amount.	The Servicer's staff has been retrained and coached on processing refund payments. In addition, the servicer will perform QA to prevent any future occurrences.
11/13/2012	\$20,898.00	Individual	Rangeley	Franklin	ME	Direct Loan	A borrower's payment check was scanned with incorrect remittance information – remittance information associated with another borrower's account. The check was missing certain necessary information and was not applied to a borrower account. It was instead stated for refund. When processing the refund, the Servicer used the incorrect remittance information. A refund was issued to an incorrect borrower. The Servicer received a partial return of the	FSA will evaluate this Servicer's process and controls as a function of its annual assessment of internal controls and, for deficiencies identified, recommend specific corrective actions.

**U.S. Department of Education
High-Dollar Overpayments
October 1, 2012 to December 31, 2012**

							improper refund on 12/03/12. FSA has referred this case to the Office of General Counsel to determine additional collection activities against the remaining amount.	
8/1/2012	\$225,083.56	Individual	Various	Various	Various	Direct Loan	In August 2012, a Servicer issued multiple erroneous refunds to varied individuals. This error was caused by an incorrect refund file that was sent to FSA for payment processing. The file included different unique identifiers, which prevented the identification of the duplicate refunds. The Servicer contacted the respective borrowers and requested the return of those duplicate refunds. As of 01/17/13, the Servicer has recovered 65 percent of the full improper payment amount (including additional non-high dollar overpayments) via personal checks and returned and voided Treasury checks. Collection efforts for the remaining funds are ongoing.	FSA is considering ways to validate the system change implemented by the Servicer to prevent future occurrences.