



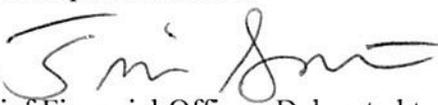
UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

July 28, 2017

MEMORANDUM

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

FROM: Tim Soltis 
Deputy Chief Financial Officer, Delegated to Perform the Functions
and Duties of the Chief Financial Officer

SUBJECT: Report on High-Dollar Overpayments for the Quarter Ending June 30, 2017

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-15-02, dated October 20, 2014, relative to Executive Order 13520. The OMB implementation guidance requires agency heads to submit quarterly reports on high-dollar overpayments for programs susceptible to significant improper payments.

The U.S. Department of Education has two programs identified as susceptible to significant improper payments: Pell Grants and Direct Loans. During the reporting period covering April 1, 2017, through June 30, 2017, the Department identified improper payments totaling \$18,640,454.73. See attachment for details.

The Department is committed to ensuring the integrity of its programs and is focused on identifying and managing the risk of improper payments 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 Ellen Safranek at (202) 245-7515.

cc: Mr. David Mader, Controller
Office of Federal Financial Management
Office of Management and Budget

**U.S. Department of Education
High-Dollar Overpayments
April 1, 2017 to June 30, 2017**

Amount	Payment Type	Location	Cognizant Program	Recovery Action(s) Taken / Planned	Future Preventive Action(s)
\$18,640,454.73	Entity	Various	Direct Loan	<p>The Department's Federal Student Aid Office uses Private Collection Agencies (PCAs) to collect defaulted student loan balances. In the past, these vendors were in part compensated based upon collections received against a percentage of the outstanding debt balance owed. In 2011, the Department began transitioning to a new Default Management Collection System, which, like the Legacy system, the Department intended to leverage to validate PCA invoices. In the first month after the system conversion (September 2011), the Department provided multiple instructions to the PCAs, resulting in redundant payments for the same periods of performance. First, the Legacy data was provided to the PCAs, as was the practice, and PCAs submitted invoices accordingly. Second, guidance was provided to the PCAs to submit invoices based upon their own data estimates because the new DMCS was unable to provide the data previously generated under the Legacy system, and the PCAs proceeded to submit invoices for the same period of performance. These redundant payments are where the improper payments occurred.</p> <p>The PCAs continued to provide their invoices absent the Government data through September 2013 when the Government validated the updated functionality related to the delivery of invoice data to the PCAs was accurate. In addition, some PCAs noted a redundant payment received when auditing their financials. The Government proceeded to hire an independent vendor to review all invoice payments made since conversion. In March 2017, the independent review confirmed there were redundant payments made. The Government has sent out demand letters to the impacted PCAs, and as of July 24, 2017, \$13,793,263.93 has been received.</p>	<p>The overpayments on the debt collection contracts were an anomaly associated with a one-time system conversion. The processes that resulted in the overpayments are no longer in use.</p>