MEMORANDUM

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

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

SUBJECT: Report on High-Dollar Overpayments for the Quarter Ended September 30, 2013

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 July 1, 2013 through September 30, 2013, the U.S. Department of Education (Department) identified improper payments totaling $220,083.56. 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 Efficiency

   Mr. Danny Werfel, Controller
   Office of Federal Financial Management
   Office of Management and Budget
<table>
<thead>
<tr>
<th>Payment Type</th>
<th>Location</th>
<th>Cognizant Program</th>
<th>Recovery Action(s) Taken / Planned</th>
<th>Future Preventive Action(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Various</td>
<td>Various</td>
<td>Direct Loan</td>
<td>These payment errors were the result of a breakdown in internal controls within Xerox. The loan portfolios serviced by Xerox / ACES have been or are being transferred to other servicers.</td>
</tr>
</tbody>
</table>

On October 12, 2012 Xerox (ACES) submitted 21 high-dollar duplicate refund payments for non-borrowers that total $220,083.56. The duplicate refund payments resulted from Xerox processing, in error, the same refund file twice. This file processing error occurred after a business process / system change; the file was processed both before and after the change. Xerox contacted the individuals paid in error and all high-dollar overpayments have been recovered.