



USAID
FROM THE AMERICAN PEOPLE

January 31, 2013

ACTION MEMO FOR THE ADMINISTRATOR

FROM: A-AA/M – Angelique Crumbly /s/

w/ changes

SUBJECT: Executive Order (EO) 13520 Reducing Improper Payments Reporting Requirements

Recommendations

1. That you sign the attached transmittal memo for submission of the Quarterly High-Dollar Overpayment Report for the period October 1, 2012, through December 31, 2012, to Acting Inspector General (IG) Michael Carroll and the Council of Inspectors General on Integrity and Efficiency by January 31, 2013.

Approve *[Signature]* Disapprove _____

2. That within 15 days of submission to the IG, you authorize M/CFO to make the report available to the public by, at a minimum, submitting it to the improper payments website developed by the Department of Treasury.

Approve *[Signature]* Disapprove _____

3. That you direct and authorize M/CFO, on your behalf, to submit and publicize these reports quarterly, within 30 days after the end of each quarter.

Approve *[Signature]* Disapprove _____

Background

EO 13520 and the OMB Memorandum M-10-13 require the head of each agency with programs susceptible to significant improper payments under the Improper Payments Information Act of 2002 to perform the above within 180 calendar days of the EO (May 19, 2010). The M/CFO has identified the Agency as having programs susceptible to erroneous payments.

M/CFO has identified one high-dollar overpayment totaling \$553,156.12 that meets the criteria established in EO 13520 and M-10-13 in the reporting period. USAID recovered the full amount in October 2010.

Attachments:

- Tab 1 – Memo to IG
- Tab 2 – EO 13520
- Tab 3 – OMB Memorandum M-10-13



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January 31, 2013

The Administrator

MEMO FOR THE ACTING INSPECTOR GENERAL

FROM: A/AID – Rajiv Shah *Rajiv Shah*

SUBJECT: Reducing Improper Payments Reporting Requirements

As required by Executive Order 13520 and OMB Memorandum M-10-13, this memo serves to notify you that USAID identified one high-dollar overpayment of \$553,156.12 for the period October 1, 2012, to December 31, 2012. USAID recovered the full amount.

In collaboration with the OIG, the Bureau for Management, Office of the Chief Financial Officer (M/CFO) identified the overpayment during a review and analysis of advances paid by the Agency. M/CFO and the OIG discovered that the payment method designated in the contract agreement was direct reimbursement. The document classification (payment method) was erroneously recorded in GLAAS and subsequently in Phoenix as a Letter of Credit (LOC). Due to the LOC classification in Phoenix, the outbound interface between Phoenix and the Department of Health and Human Services Payment Management System recorded the obligated funds under the contractor's LOC account.

The contractor submitted three invoices to USAID/Malawi for payment and erroneously drew down the equivalent amount under the LOC. The Agency fully recovered the overpayment through offsets of the contractor's future invoices. See Tab 1 for details regarding the discovery of the overpayment. See Tab 2 for analysis of the work performed.

Accordingly, USAID will submit a high-dollar overpayment report to the improper payments website developed by the Department of Treasury. Please contact Ms. Eileen Devitt, M/CFO at medevitt@usaid.gov or (202) 567-5125, if you have any questions.

Attachments:

- Tab 1 – High-Dollar Overpayment Report, October 1, 2012 to December 31, 2012
- Tab 2 – Sources of Information for Quarterly High-Dollar Overpayment Report

Tab 1
High-Dollar Overpayment Report for the Period October 1, 2012 to December 31, 2012

No.	Amount of Overpayment	Program Area	Date Received	Date Posted to Phoenix	Date of Overpayment	Entity or Individual	Entity/Individual Location		Cause of Overpayment
							City	State/Country	
1	\$553,156.12	A12 - Education	6/10/2010	6/10/2010	6/10/2010	Entity	Llongwe	Malawi	The payment method designated in the contract was direct reimbursement. The document classification (payment method) was erroneously recorded in GLAAS and subsequently Phoenix as LOC. Due to the LOC document classification in Phoenix, the outbound interface between Phoenix and the DHHS Payment Management System recorded the obligated funds under Creative Associates' LOC account. Creative Associates began submitting invoices to the mission as instructed in the contract but also draw down funds for the task order under the LOC account. The first three invoices submitted to and paid by the mission totaled \$553,156.12. The period covered by these three invoices was 2/1/2010 through 4/30/2010 and payments were made on 5/5/2010, 5/18/2010 and 6/28/2010. The first draw down made by Creative Associates against the award under the LOC account was \$553,156.12 and was paid on 6/10/2010. Creative Associates' invoices 5, 6 and 7 totaling \$680,970.48 were used to offset the \$553,156.12 that represented the duplicate payments and the difference of \$127,814.36 was requested through the LOC account.

Actions/Plans to Recover Overpayment	Status of Overpayment	Actions to Prevent Recurrence
Sought recovery from vendor.	Overpayment was recovered in October 2010	<p>Issue guidance to Malawi on procedures to follow to locate posted invoices in Phoenix and inform them that the circumvention of the invoices Control procedure should not be used to execute payments to vendors. Ensure that the payment method is accurately recorded in GLAAS.</p>

Tab 2

Sources of Information for Quarterly High-Dollar Overpayment Report

According to Executive Order 13520 (EO) and M-10-13, an agency can make a high-dollar overpayment to an individual or an entity and represent any overpayment that is in excess of 50 percent of the correct amount of the intended payment under the following circumstances:

1. Where the total payment to an individual exceeds \$5 thousand as a single payment or in cumulative payments for the quarter; or
2. Where the payment to an entity exceeds \$25 thousand as a single payment or in cumulative payments for the quarter.

In compliance with M-10-13 to identify high-dollar overpayments, we considered examining several sources of information available to the Agency such as:

1. Agency post-payment reviews;
2. Agency IG reviews;
- 3 Self-reports; and
4. Reports from the public through internet and telephone hotlines, and other referrals.

1. Agency Post-payment Reviews

During the period October 1, 2012, to December 31, 2012, the M/CFO identified one high-dollar overpayment that exceeded the threshold of \$25 thousand to a vendor. This transaction was for \$553,156.12. The Agency fully recovered this overpayment through an offset of the vendor's future invoices. The aforementioned transaction is reported in the "High-Dollar Overpayment Report for the Period October 1, 2012, through December 31, 2012.

2. Agency IG Reviews

M/CFO/CMP sent an email inquiry to the OIG requesting knowledge of any high-dollar overpayment. The OIG confirmed that it was not aware of any high-dollar overpayment during the period October 1, 2012, to December 31, 2012.

3. Self-reports

For the period October 1, 2012 to December 31, 2012, we reviewed the monthly reports on interest payments and found no items to be reported as a high-dollar overpayment.

4. Reports from the Public through Internet and Telephone Hotlines and Other Referrals

We did not identify any high-value errors for the reporting period from the public through internet, telephone hotlines, or other referrals.