

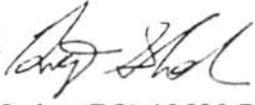


**USAID**  
FROM THE AMERICAN PEOPLE

*The Administrator*

OCT 19 2010

**MEMO FOR THE INSPECTOR GENERAL**

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

In compliance with Executive Order 13520 and OMB Memorandum for Heads of Executive Departments and Agencies, Part III to OMB Circular A-123, Appendix C, this serves to notify you that the U.S. Agency for International Development (USAID) identified four high-dollar overpayments, totaling \$660,324.96, during the period April 1, 2010, through September 30, 2010. This amount was fully recovered in July 2010. There were no high-dollar overpayments reported for the period October 1, 2009, through March 31, 2010.

USAID examined its outlays for the reporting period through statistical sampling conducted under the Improper Payments Information Act of 2002 and Recovery Audits. See Tab 1 for an 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 CFO David Ostermeyer at [dostermeyer@usaid.gov](mailto:dostermeyer@usaid.gov), or (202) 567-5205, if you have any questions.

Attachments:

- Tab 1 – High-Dollar Overpayments Report, April 1, 2010, to September 30, 2010
- Tab 2 – Sources of Information for Quarterly High-Dollar Overpayments Report

High-Dollar Overpayment Report for the Period April 1 through September 30, 2010

No.	Amount of Overpayment	Program Area	Date Received	Date Posted to Phoenix	Date of Overpayment	Entity or Individual	City/County	State	Cause of Overpayment	Actions/Plans to Recover Overpayment	Status of Overpayment	Actions to Prevent Recurrence
1	149,248.98	A22 - Protection, Assistance, and Solutions	6/21/2010	6/21/2010	7/7/2010	Entity	Baltimore	MD	On many occasions freight invoices are submitted for the exact amount for different activities. In this instance, multiple invoices were submitted for the exact amount and activity. The Cash Management and Payments (CMP) Division staff did not identify the subsequent invoice as a duplicate due to an oversight and paid it in error.	CMP will request refund of overpayment.	Overpayment refunded to USAID on 07/29/2010.	USAID has asked the vendor to submit only one invoice per activity. Payment processing staff have been cautioned to exercise due diligence and be proactive in processing payments. The payment staff will be held accountable for improper payments and will be subjected to disciplinary action for numerous improper payment occurrences.
2	33,187.92	A22 - Protection, Assistance, and Solutions	6/21/2010	6/21/2010	6/29/2010	Entity	Baltimore	MD	On many occasions freight invoices are submitted for the exact amount for different activities. In this instance, multiple invoices were submitted for the exact amount and activity. The Cash Management and Payments (CMP) Division staff did not identify the subsequent invoice as a duplicate due to an oversight and paid it in error.	CMP will request refund of overpayment.	Overpayment refunded to USAID on 07/08/2010.	USAID has asked the vendor to submit only one invoice per activity. Payment processing staff have been cautioned to exercise due diligence and be proactive in processing payments. The payment staff will be held accountable for improper payments and will be subjected to disciplinary action for numerous improper payment occurrences.
3	487,336.79	A22 - Protection, Assistance, and Solutions	6/21/2010	6/21/2010	7/7/2010	Entity	Baltimore	MD	On many occasions freight invoices are submitted for the exact amount for different activities. In this instance, multiple invoices were submitted for the exact amount and activity. The Cash Management and Payments (CMP) Division staff did not identify the subsequent invoice as a duplicate due to an oversight and paid it in error.	CMP will request refund of overpayment.	Overpayment refunded to USAID on 07/29/2010.	USAID has asked the vendor to submit only one invoice per activity. Payment processing staff have been cautioned to exercise due diligence and be proactive in processing payments. The payment staff will be held accountable for improper payments and will be subjected to disciplinary action for numerous improper payment occurrences.

4	10,551.27	A22 - Protection, Assistance, and Solutions	6/21/2010	6/21/2010	6/29/2010	Entity	Baltimore	MD	On many occasions freight invoices are submitted for the exact amount for different activities. In this instance, multiple invoices were submitted for the exact amount and activity. The Cash Management and Payments (CMP) Division staff did not identify the subsequent invoice as a duplicate due to an oversight and paid it in error.	CMP will request refund of overpayment.	Overpayment refunded to USAID on 07/08/2010.	USAID has asked the vendor to submit only one invoice per activity. Payment processing staff have been cautioned to exercise due diligence and be proactive in processing payments. The payment staff will be held accountable for improper payments and will be subjected to disciplinary action for numerous improper payment occurrences.
<b>Total</b>		<b>660,324.96</b>										

**Addendum**

1	The original invoice in the amount of \$149,248.98 was received on June 07, 2010, posted to Phoenix on the same day and paid on June 14, 2010. The duplicate payment was made on July 07, 2010.											
2	The original invoice in the amount of \$33,187.92 was received on June 07, 2010, posted to Phoenix on the same day and paid on June 14, 2010. The duplicate payment was made on June 29, 2010.											
3	The original invoice in the amount of \$467,336.79 was received on June 07, 2010, posted to Phoenix on the same day and paid on June 14, 2010. The duplicate payment was made on July 7, 2010.											
4	The original invoice in the amount of \$10,551.27 was received on June 07, 2010, posted to Phoenix on the same day and paid on June 22, 2010. The duplicate payment was made on June 29, 2010.											

**Action Plan to prevent future improper payment occurrences:**

1. Review an invoice to ensure that it is legal, valid and correct.
2. Generate a historical report of payments to the same vendor.
3. Further research amounts that are exactly the same.
4. Research invoices that have exact information but different amounts
5. Elevate any unresolved discrepancies to your supervisor.
6. Ensure that the invoice is posted correctly to Phoenix.
7. Be proactive and pay attention to details.
8. Employees will be held accountable for improper payments.

## **Attachment**

### **Sources of information for Quarterly High Dollar Overpayment Report**

According to Executive Order 13520 (EO) and M-10-13, a high-dollar overpayment can be made to an individual or an entity and represents 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 \$5,000 as a single payment or in cumulative payments for the quarter; or
2. Where the payment to an entity exceeds \$25,000 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. Statistical samples conducted under the IPIA;
2. Agency post-payment reviews;
3. Recovery audits;
4. Agency IG reviews;
5. Self-reports; and
6. Reports from the public through internet and telephone hotlines, and other referrals.

#### **1. Statistical samples conducted under the IPIA**

The Improper Payments Information Act (IPIA) of 2002 (P.L. 107-300) requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments. For FY 2010, the Office of the CFO populated a risk matrix with qualitative data for each agency program. The qualitative data was used in conjunction with the scoring criteria to assign a risk score to each risk condition. The Office of the CFO used the risk condition scores and weighing formulas to determine an overall risk score and to identify programs at high risk of being susceptible to significant improper payments. As a result, none of the programs met the OMB threshold requirements of significant erroneous payments, which are defined as annual erroneous payments in the program area exceeding both 2.5% of program payments and \$10 million. However, based on the risk assessment results, the Office of the CFO deemed the following four program areas to be susceptible to significant erroneous payments: Health, Education, Good Governance, and Infrastructure.

For FY 2010, the A-123 Assessment Team selected a statistically-valid sample of in scope program payment transactions for FY 2010 using a methodology that is compliant with current OMB guidelines.

$$n \geq \frac{2.706(1-P)}{\left(\frac{.025}{P}\right)^2}$$

Where n is the required minimum sample size and P is the estimated percentage of erroneous payments

The estimated percentage of erroneous payments for FY 2009 was .28%. According to the Financial Audit Manual (FAM) Volume 1, July 2008, using a representative sampling selection is necessary where the reviewer cannot efficiently obtain sufficient assurance (based on the assessed risk of material misstatement and other substantive procedures including analytical procedures) about the population from non-representative selections. Therefore, USAID's selection is intended to be a representative selection (a sample projectable to the population).

The sample size determination resulted in testing a minimum of 12 sample transactions for each of the four identified program areas for USAID Headquarters and the Overseas Field Missions. Samples were randomly selected using the Interactive Data Extraction and Analysis (IDEA) computer software. For the third quarter of FY 2010, the A-123 Team tested 432 sample transactions. For each sample selection in the third quarter of FY 2010, the A-123 Team:

- a. Obtained sufficient supporting documentation for each sample transaction, examined, and assessed to determine whether the payments are appropriate or improper;
- b. Performed detailed tests of transactions for each sample item;
- c. Identified programs with a significant amount of improper payments;
- d. Determined error rate in the statistical sample;
- e. Extrapolated results of the statistical sample to determine the dollar value of errors in the population

## **2. Agency post-payment reviews**

On a monthly basis, the office of the Chief Financial Officer (OCFO) reviews an ad-hoc report for Metric Tracking System in order to identify duplicate payments or payments to the wrong vendor. During the period April 1, 2010 to September 30, 2010, the OCFO did not identify any high-dollar overpayments that exceed the thresholds of \$5,000 to an individual. However, the OCFO did identify high-dollar overpayments that exceed the \$25,000 threshold to one vendor. These transactions are reported in the "High-Dollar Overpayment Report for the Period April 1, 2010 through September 30, 2010". These high-dollar overpayments, totaling \$660,324.96, have been fully recovered.

### **3. Recovery audits**

The scope of the FY 2010 recovery auditing efforts will be all classes of contracts and contract payments for the period July 1, 2009 through June 30, 2010 (recovery audit reporting period). However, the initial sample was selected based on the information available for all classes of contracts and contract payments for the period July 1, 2009 through December 31, 2009. The objective of sampling all classes of contracts and contract payments for the period July 1, 2009 thru June 30, 2010 was to select items to reach a conclusion, only on the items selected (non-statistical sampling/non-representative).

According to the FAM, using a non-representative selection prohibits the projection of the results to the portion of the population that was not tested. Accordingly, the application of appropriate analytical and/or other substantive procedures to the remaining items should be conducted, unless those items are immaterial in total or enough assurance is obtained that there is a low risk of material misstatement in the total population.

Based on the results of the of the FY 08 recovery auditing efforts, 1% of the population contained errors. Furthermore, during FY 07, the recovery audit contractor review for fiscal years 2003 through 2005 indicated, "With over thirty years of history, the rate of recoveries is well below industry standards of .1% to .3%". Therefore, assurance of a low risk of material misstatement in the total population was sufficiently obtained and the application of appropriate analytical and/or other substantive procedures to the remaining items was not conducted.

The sample size determination resulted in testing 687 sample transactions during the FY 2010 recovery auditing period. Samples will be randomly selected each quarter using the IDEA computer software. Personnel of the Cash Management and Payments (CMP) Division tested 175 sample transactions for the third quarter of FY 2010. For each sample selection in the third quarter of FY 2010, the CFO staff:

- a. Obtained sufficient supporting documentation for each sample transaction, examined, and assessed to determine whether the payments are appropriate or improper (overpayments);
- b. Performed detailed tests of transactions for each sample item
- c. Determined the amount of recoveries, if any, due to amounts erroneously paid to contractors; and
- d. Determined the proper disposition of recovered funds, as applicable.

### **4. Agency IG reviews**

For the period April 1, 2010 to September 30, 2010, the Office of the CFO examined the quarterly report generated from the Agency's Consolidated Audit & Compliance System (CACCS) that the IG office populated with financial information from post audit reviews. Our examination did not identify any high-dollar over-payments that exceed the thresholds of \$5,000.00 to an individual or \$25,000.00 to an entity.

## **5. Self-reports**

For the period April 1, 2010 to September 30, 2010, we reviewed the quarterly report on returned and interest payments and based on the payee name segregated the report between individuals and vendors (entities). Two distinct spreadsheets were created: (1) identified all individuals with returned payments exceeding \$5,000.00 and (2) identified all vendors with returned payments exceeding \$25,000.00. USAID CMP and overseas field missions provided comments for all sampled returned payments.

There were no interest payments that met the threshold.

## **6. 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.