

Office of Inspector General

AUDIT REPORT

DUPLICATE PAYMENTS

Report No.: 7AF-G01-035

Date: April 24, 1997

**Office of Inspector General
Washington DC 20420**

Department of Veterans Affairs

Memorandum

Date: APR 24 1997

From: Assistant Inspector General for Auditing (52)

Subj.: Duplicate Payments, Audit Report No. 7AF-G01-035

To: Deputy Assistant Secretary for Financial Management (047)

1. SUMMARY

As part of our ongoing audit of the Department of Veterans Affairs' (VA's) financial operations and reporting, the Office of Inspector General identified two duplicate payments totaling \$1.08 million that had not been detected previously. We brought these duplicate payments to the attention of Financial Quality Assurance Service (047GE) on June 6, 1996. VA Central Office Finance personnel, Station 101, promptly confirmed the overpayment, and sent a collection letter; later they established a receivable. Upon receiving our draft report (dated October 17, 1996), VA Central Office Finance initiated aggressive collection action. On December 2, 1996, the vendor repaid the duplicate payments.

2. RESULTS OF REVIEW

The initial payments to Oficina del Procurador for \$1.08 million were made on January 8, 1996. On January 26, 1996, payments were made citing the same invoices to the Government Development Bank. (See the following schedule.) In addition, an interest payment of \$1,501.47 was made because the second (duplicate) payments were considered late by finance personnel.

Schedule of Payments

Vendor Name	Invoice No.	Amount	Check	
			Number	Date
Oficina del Procurador	FAI 72-001 3rd PMT	\$524,628.00	00000365	1-8-96
Oficina del Procurador	FAI 72-001 4th PMT	\$555,941.00	00000366	1-8-96
Gov't Development Bank	FAI 72001/3rd PYMT	\$524,628.00	01278902	1-26-96
Gov't Development Bank	FAI 72001/4th PYMT	\$555,941.00	01278901	1-26-96

We informed the Financial Quality Assurance Service (047GE) of the \$1.08 million in duplicate payments on June 6, 1996. VA Central Office finance personnel, station 101, confirmed the duplicate payments and sent a letter requesting return of the \$1.08 million. The collection letter of June 14, 1996, requested Oficina del Procurador to return the money from checks 01278901 and 01278902. An account receivable was established on

July 31, 1996, for the \$1.08 million. Responsible VA officials could not provide a reason for the duplicate payments were made or the interest paid.

The June 14 collection letter was silent regarding the interest payments made to the vendor for the duplicate payments. These interest payments totaled \$1,501.47 and should have been identified in the collection letter and repayment requested. Moreover, an account receivable to collect the interest paid should also have been established.

3. CONCLUSION

The Department should pursue all duplicate payments in a timely manner. When the mispayment is as large as this, the collection efforts should be prompt. If repayment is not made, aggressive collection should be pursued.

4. RECOMMENDATION

The Department should aggressively pursue collection of the \$1.08 million in duplicate payments and the \$1,501.47 in interest payments.

Deputy Assistant Secretary for Financial Management's Comments

In response to the report's recommendation, Deputy Assistant Secretary for Financial Management's agreed that all collection efforts should be handled in a timely manner and his office aggressively pursued collection action on the duplicate payments and interest. On December 2, 1996, VA received a check in the amount of \$1,082,070.47 from the Government Development Bank for Puerto Rico repaying the overpayments.

(The Deputy Assistant Secretary for Financial Management's comments are included in their entirety in Attachment I to this report.)

Office of Inspector General Comments

The collection of \$1,082,070.47 recovered the duplicate payments of \$1,080,569 and the erroneously paid interest of \$1,501.47. We consider all issues in this report resolved.

For The Assistant Inspector General For Auditing

(Original signed by:)

VICTOR F. BOURIL

Director, Financial Reviews and Assistance

Attachments

LIST OF ATTACHMENTS

Memorandum from the Deputy Assistant Secretary
for Financial Management, dated December 6, 1996.....Attachment I

Final Report DistributionAttachment II

**MEMORANDUM FROM THE DEPUTY ASSISTANT SECRETARY FOR
FINANCIAL MANAGEMENT DATED DECEMBER 6, 1996**

Department of
Veterans Affairs

Memorandum

Date: Dec 6, 1996

From: Deputy Assistant Secretary for Financial Management (047)

Subj: OIG Draft Report on Duplicate Payments, Project No. 6AF-043

To: Michael G. Sullivan, Assistant Inspector General for Auditing (52)

This is in response to your October 17, 1996, memorandum concerning your Draft Report on Duplicate Payments, Project No. 6AF-043 which identified two large duplicate payments made to a commercial vendor.

During the conversion to the new FMS accounting system and the government shutdowns, we experienced several instances where duplicate payments were made because of erroneous inputs involving vendor identification numbers. The duplicate payments in question resulted from processing payments correctly by electronic funds transfer using the correct vendor number and then erroneously processing or releasing "held" FMS documents, using a miscellaneous commercial vendor code.

The four payments in question were all paid to the bank account of the Puerto Rico Veterans State Home, Office of the State Director of Veterans Affairs, Juana Diaz, Puerto Rico (recipient organization). These payments are certified requests for reimbursement for construction of a 250 bed State Veterans Nursing Home. As noted in your report, in June 1996, as soon as Station 101 was made aware of the duplicate payments, an overpayment letter was sent to the grant recipient organization. A receivable was established for \$1,082,070.47, which includes the interest paid, and our obligation documents were annotated at that time to show the overpayment. No request for payments have been certified since we established the overpayment.

The total grant is for \$8.3 million, and the Chief consultant, Geriatrics and Extended Care SHG and the Chief, State Home Construction Grant Program (114) have indicated that the office of the recipient organization is scheduled to receive the remaining \$2.6 million in fiscal year 1997. Program officials agree that future requests for reimbursement by the recipient organization will be used to offset the overpayment.

Both Financial Support staff (047H) and program officials (114), have a responsibility to monitor expenditures made in FMS to avoid and/or identify duplicate payments. However, the FMS accounting system was very new and staff in both offices were learning to use the system. Staffs now know how to review the payment history in FMS and the Quality Review/Financial Management Federal Integrity Act Staff (104/00B) also now conduct daily

reviews of potential duplicate payments and notify the station by telephone and fax that a payment may be a duplicate. These reviews identify payments of identical amounts or identical invoice numbers, often before the second (duplicate) payment is made.

Although our original collection letter was silent regarding the erroneous interest payment made to the grant recipient organization, we did include the interest in our accounts receivable file

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Michael G. Sullivan Assistant Inspector General for Auditing (52)

and in subsequent notices sent on October 17 and 25, 1996. Copies of our most recent collection efforts are attached.

In response to your recommendations, we agree that all collection efforts should be handled in a timely manner and we have aggressively pursued collection action on the duplicate payments and interest. On December 2, 1996, we received a check in the amount of \$1,082,070.47 from the Government Development Bank for Puerto Rico repaying the overpayment.

We have checked with the Department of the Treasury and have found that a grant recipient organization cannot be charged interest if they do not respond to the collection efforts in a timely manner. Treasury has told us that these payments fall under the Federal Assistance Program and that neither a State or Federal government will incur an interest liability.

If you need additional information or have any further questions, please contact Michael Thomas, Assistant Director Financial Support Staff at 273-9401.

(Original signed by:)
Frank W. Sullivan

Attachments

cc: Judith A. Salerno, M. D., M.S., Chief Consultant, Geriatrics and Extended Care SHG (114)
Kathleen Greve, Chief, Chief, State Home Construction Grant (114B)

FINAL REPORT DISTRIBUTION

VA Distribution

Assistant Secretary for Management (004)

Director, Office of Management Controls (004B)

Deputy Assistant Secretary for Financial Management (047)

Associate Deputy Assistant Secretary for Financial Operations (047F)

Director, Austin Finance Center (104/00)

Deputy Assistant Secretary for Public Affairs (80)