



STATEMENT OF
HANNIBAL “MIKE” WARE
ACTING INSPECTOR GENERAL
U.S. SMALL BUSINESS ADMINISTRATION

BEFORE THE
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES

JUNE 14, 2017

INTRODUCTION

Chairman Chabot, Ranking Member Velázquez, and distinguished members of the Committee, thank you for the opportunity to be here today and for your continued support of the Office of Inspector General (OIG). We recently published the results of our audit of the Small Business Administration's (SBA's) management of the Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) program. I am happy to discuss our findings with you today.

OIG's ROLE

OIG was established within SBA by statute to promote economy, efficiency, and effectiveness and to deter and detect waste, fraud, abuse, and mismanagement in the Agency's programs and operations. During fiscal year (FY) 2016, OIG achieved nearly \$145 million in monetary recoveries and savings—an almost 7-fold return on investment relative to our FY 2016 operating budget—and made 81 recommendations for improving SBA's operations and reducing fraud and unnecessary losses in the Agency's programs.

OIG audits are conducted in accordance with Federal audit standards established by the Comptroller General, and other reviews generally are conducted in accordance with standards established by the Council of the Inspectors General for Integrity and Efficiency (CIGIE). In addition, we coordinate with the Government Accountability Office to avoid duplicating Federal audits. We also establish criteria to ensure that the non-Federal auditors that OIG uses (typically, certified public accountant firms) comply with Federal audit standards.

OIG's FINDINGS PERTAINING TO SBA's MANAGEMENT OF VERA AND VSIP

OIG report 17-13, titled *SBA's Management of Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment Program* presents the results of our audit of SBA's management of the VERA and VSIP program. VERA provides agencies the option to offer voluntary early retirement when restructuring as well as when downsizing. VSIP, often combined with VERA, allows agencies to offer lump-sum payments to employees who are in surplus positions or have skills that are no longer needed in the workforce, as an incentive to separate. SBA offered a VERA-VSIP option in fiscal year (FY) 2014.

Our objective was to determine whether SBA accomplished its FY 2014 VERA-VSIP program goals. To accomplish this objective, we reviewed SBA's VERA-VSIP plan, the Office of Personnel Management's (OPM's) approval letter, and SBA's reports to OPM on the results of the VERA-VSIP program. We interviewed Office of Human Resources Solutions (OHRS) personnel, the individual at OPM who approved the plan, and other SBA officials to understand how SBA used the VERA-VSIP positions to restructure the agency.

We reviewed the personnel records of the 149 employees who separated under the 2014 VERA-VSIP program, and we reviewed how SBA used these positions to accomplish its goals. We reviewed applicable laws, regulations, and OPM's guidance on VERA and VSIP, as a basis for our audit.

What OIG Found

We found that while SBA made limited progress in restructuring and reshaping the workforce, it did not accomplish its stated goals of the VERA-VSIP program. As a result, SBA paid \$2.1 million for early retirements for positions that were not restructured following VERA-VSIP.

Overall, SBA may have been more successful in achieving its goals had it properly managed the VERA-VSIP program by developing specific and measureable VERA-VSIP goals, including accurate information in the VERA-VSIP plan, making significant changes to its organizational structure, and making substantial changes to job functions following VERA-VSIP.

OIG Recommendations

We provided two recommendations to improve SBA's management of its VERA-VSIP program. We recommend that SBA conduct and document a lessons learned review on the FY 2014 VERA-VSIP performance, including planning, implementation, results, and recommended improvements. We also recommend that SBA develop and issue procedural guidance to ensure Agency officials conduct future VERA-VSIP programs in accordance with VERA and VSIP regulations and OPM guidance.

Agency Response

SBA's planned actions resolve the two recommendations. SBA will conduct an after action review on the FY 2014 VERA-VSIP performance that will address the components outlined in the recommendation. Additionally, SBA will provide written guidance outlining expectations and mitigation strategies for ensuring compliance with any OPM approved VERA-VSIP plan.

CONCLUSION

I am proud of the work performed by our auditors to shine the light on this significant exercise of personnel authority by the SBA. Though the findings of our report are ascribed to SBA, it is a timely report in context of the March 13, 2017 *Presidential Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch*. VERA-VSIP authority undoubtedly will be a tool that many agencies will consider as they seek to implement this order. In this regard, it is noted OPM updated its VERA-VSIP guidance in March 2017.

OIG will continue to provide independent, objective oversight to improve the integrity, accountability, and performance of the SBA and its programs for the benefit of the American people. Our focus is to keep SBA leadership, our congressional stakeholders, and the public currently and fully informed about the problems and deficiencies in the programs as identified through our work. We value our relationship with the Committee and the Congress at large, and we look forward to working together to address identified risks and the most pressing management challenges facing SBA.