

# AUDIT REPORT

## SBA'S MANAGEMENT OF VOLUNTARY EARLY RETIREMENT AUTHORITY AND VOLUNTARY SEPARATION INCENTIVE PAYMENT PROGRAM





## EXECUTIVE SUMMARY

### SBA'S MANAGEMENT OF VOLUNTARY EARLY RETIREMENT AUTHORITY AND VOLUNTARY SEPARATION INCENTIVE PAYMENT PROGRAM

Report  
No. 17-13

May 30, 2017

#### What OIG Reviewed

This report presents 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. 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 measurable 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 discussion on the FY 2014 VERA-VSIP performance, including planning, implementation, results, and recommended improvements. We also recommend that SBA develop and implement policies and procedures to ensure that future VERA-VSIP programs are conducted 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.



**U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, D.C. 20416**

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**Final Report Transmittal**  
Report Number: 17-13

**DATE:** May 30, 2017

**TO:** Linda E. McMahon  
Administrator

A handwritten signature in black ink, appearing to be "H. Ware".

**FROM:** Hannibal "Mike" Ware  
Acting Inspector General

**SUBJECT:** *SBA's Management of Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment Program*

This report presents the results of our audit of SBA's management of the fiscal year 2014 VERA-VSIP program. We conducted this audit in accordance with Generally Accepted Government Auditing Standards.

We considered management comments on a draft of this report when preparing the final report. This report contains two recommendations that SBA agreed to implement.

We appreciate the courtesies and cooperation that we received from your staff during our audit. Please contact me at (202) 205-6586 or Riccardo Buglisi, Director, Business Development Programs Group, at (202) 205-7489, if you would like to discuss this report or any related issues.

cc: Mary Anne Bradfield, Chief of Staff  
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## Table of Contents

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Introduction.....	1
SBA's FY 2014 VERA-VSIP Program .....	1
Objective.....	2
Finding: SBA Did Not Accomplish Its VERA-VSIP Program Goals.....	3
SBA Did Not Develop Specific and Measurable VERA-VSIP Goals.....	3
SBA Included Inaccurate Information in the VERA-VSIP Plan.....	4
SBA Did Not Make Significant Changes to Its Organizational Structure.....	5
SBA Did Not Make Substantial Changes to Job Functions.....	6
Conclusion .....	7
Recommendations.....	8
Analysis of Agency Response.....	8
Summary of Actions Necessary to Close the Report.....	8
Appendix I: Objective, Scope, and Methodology.....	9
Use of Computer-Processed Data.....	10
Review of Internal Controls.....	10
Appendix II: OIG Schedule of Questioned Costs.....	11
Appendix III: Best Practices Associated with the Effective Use of VERA-VSIP .....	12
Appendix IV: Agency Comments.....	13

## Introduction

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According to the Office of Personnel Management (OPM), agencies may use Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) to decrease the workforce when undergoing substantial organizational change such as restructuring or downsizing. Both reorganization tools require approval from OPM.

Agencies can use VERA to temporarily lower the age and years of service requirements for retirement to increase the number of employees who are eligible for retirement from the Federal Government. Employees must meet minimum age and service requirements to take advantage of VERAs. Under a VERA program, agencies offer early retirement annuity payments to employees age 50 and above with at least 20 years of service or to employees at any age with at least 25 years of service.<sup>1</sup>

Similarly, with OPM approval, agencies can grant lump-sum payments of up to \$25,000 as an incentive to voluntarily leave the Federal Government. VSIPs are available for employees who meet general eligibility requirements. To meet VSIP eligibility requirements, an employee must, among other things, be serving in an appointment without time limit, currently employed by the Executive Branch for a continuous period of at least 3 years, and serving in a position covered by the agency's VSIP plan.<sup>2</sup> In addition, the employee must apply for, and receive approval for, a VSIP and not be included in any of the ineligibility categories.<sup>3</sup>

### SBA's FY 2014 VERA-VSIP Program

In fiscal year (FY) 2014, the Small Business Administration (SBA) requested and obtained VERA and VSIP authority from OPM. Within SBA's FY 2014 request and approval, only employees eligible for either full retirement or VERA were entitled to apply for VSIP. In its request, SBA cited programmatic, demographic, and budgetary challenges as justification to use the VERA-VSIP authority to reshape its workforce to succeed in meeting its mission. To achieve this initiative, SBA drafted the VERA-VSIP plan with the purposes of (1) addressing workforce competency and skill gaps, (2) increasing the population of early career employees and creating a pipeline of new leaders, and (3) addressing budgetary constraints to avoid a reduction in force (RIF).

SBA's Office of Human Resources Solutions (OHRS) was responsible for planning the agency's VERA-VSIP program and preparing the VERA-VSIP justification submitted to OPM for approval. OHRS was also responsible for managing the implementation of the VERA-VSIP program and reporting progress to OPM. According to OHRS officials, SBA began planning for the FY 2014 VERA-VSIP program in May 2014. In June 2014, the Chief Human Capital Officer (CHCO) briefed the newly appointed Administrator on SBA's workforce challenges, and informed her of the high percentage of retirement-eligible employees. The CHCO and the OHRS Chief of Strategy, Policy, and Accountability, in consultation with the Chief Operating Officer (COO) and a Financial Analyst,

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<sup>1</sup> 5 U.S.C. §§ 8336(d)(2) and 8414(b)(1).

<sup>2</sup> 5 U.S.C. § 3521(1) and (2)(A).

<sup>3</sup> According to 5 U.S.C. § 3521(2)(B), VSIP ineligibility categories include: reemployed annuitants; having a disability such that the individual is or would be eligible for disability retirement; having a decision notice of involuntary separation for misconduct or poor performance; receipt of previous Federal Government VSIP; performing a service, during the 36-month period preceding the date of separation, for which a student loan repayment benefit was or is to be paid; performing a service, during the 24-month period preceding the date of separation, for which a recruitment or relocation incentive was or is to be paid; and performing a service, during the 12-month period preceding the date of separation, for which a retention incentive was or is to be paid.

developed the VERA-VSIP plan, which the Administrator signed and OPM approved (see Figure 1). According to the VERA-VSIP plan, SBA was to complete restructuring efforts by March 31, 2016.

**Figure 1: Timeline of Events for SBA's FY 2014 VERA-VSIP Program**



Source: OIG generated from interviews and supporting documentation.

For the FY 2014 VERA-VSIP program, 149 employees voluntarily separated from the agency. All 149 employees received an incentive payment in addition to their accrued annual leave payouts. In total, SBA spent \$5.6 million on the incentivized separations.

### **Objective**

Our objective was to determine whether SBA accomplished its FY 2014 VERA-VSIP program goals.

## **Finding: SBA Did Not Accomplish Its VERA-VSIP Program Goals**

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While SBA made limited progress in restructuring and reshaping the workforce, it did not accomplish its stated goals of the VERA-VSIP program. Specifically, SBA did not (1) address workforce competency and skill gaps, (2) increase the population of early career employees and create a pipeline of new leaders, or (3) address budgetary constraints to avoid a reduction in force (RIF). As a result, SBA's VERA-VSIP program achieved few, if any, of its planned goals and paid \$2.1 million that SBA could have used for other priorities.

Overall, SBA may have been more successful in achieving its goals had it properly managed the VERA-VSIP program by

- developing specific and measurable VERA-VSIP goals,
- including accurate information in the VERA-VSIP plan,
- making significant changes to its organizational structure following VERA-VSIP implementation, and
- making substantial changes to job functions when filling positions, including mission critical and Senior Executive Service (SES) positions vacated through the VERA-VSIP program.

### **SBA Did Not Develop Specific and Measurable VERA-VSIP Goals**

Although SBA cited programmatic, demographic, and budgetary challenges in its VERA-VSIP plan, SBA did not include specific or measureable goals to address these challenges. Specifically, we noted the following:

- SBA's programmatic challenge centered on competency and skills gaps in the workforce resulting from a significant change in SBA's service model. However, SBA's VERA-VSIP plan did not outline how the agency would reshape and restructure its workforce. To accomplish this goal, SBA could have developed new position descriptions to address new skills, or developed a new organizational structure to implement a change in the service model, or both. (See Appendix III for VERA-VSIP best practices.)
- SBA's demographic challenge highlighted the percentage of employees who would be eligible for full retirement in the following 5 years, the average age of SBA employees, and the difficulty in retaining and promoting talent without career growth. SBA neither identified a target percentage of employees who would be eligible for full retirement in the following 5 years nor developed a plan for adequate transfer of knowledge when an employee retired to promote career growth in remaining employees. SBA claimed that it partially met a demographic goal by hiring a younger workforce. However, 1 month after VERA-VSIP was implemented, SBA reported that the average age was unaffected. Likewise, 2 years after VERA-VSIP was implemented, the average age of SBA employees remained at 51. Further, some program offices, including the Office of Capital Access, experienced a loss of institutional knowledge because of the program.
- SBA's budgetary challenge focused on economic circumstances that could have required SBA to take drastic measures such as a RIF. However, SBA did not articulate a fiscal aim for cost savings. Although SBA's VERA-VSIP plan stated that a RIF would be necessary if OPM did not approve the VERA-VSIP plan, the principal author of the VERA-VSIP plan later explained she added these claims to bolster the weight of the application when no threat of a RIF existed.

While SBA did not include specific or measurable goals to address the various challenges, some program offices used the vacated full-time equivalents (FTEs) from the VERA-VSIP program to make positive programmatic and organizational changes. For example, the Deputy Associate Administrator for the Office of Field Operations asserted he redesigned some position descriptions to include new competencies and skills needed to perform higher-level tasks and trained various employees to perform the wide array of functions within the office. Similarly, Office of the Chief Financial Officer officials claimed they replaced some lower-graded positions vacated under the VERA-VSIP program with higher-graded positions with increased professional expectations. Additionally, Government Contracting and Business Development senior officials claimed they made some organizational changes, such as formally separating previously merged responsibilities within the Office of Government Contracting and the Office of Policy, Planning, and Liaison. Further, the SBA's Chief of Staff asserted SBA used some vacated FTEs to create new positions such as the Chief Learning Officer, the Chief Digital Officer, and an IDEA Lab team to support digital services.

### **SBA Included Inaccurate Information in the VERA-VSIP Plan**

SBA's VERA-VSIP plan also contained inaccurate claims. For example, SBA's VERA-VSIP plan did not accurately portray the effect of the Federal Acquisition Certification requirement on mission critical positions. The plan stated that the National Defense Authorization Act for FY 2014 mandated Business Opportunity Specialists to obtain Federal Acquisition Certification in Contracting as a prerequisite for employment. The VERA-VSIP plan did not mention the provision in the law that allows currently employed Business Opportunity Specialists, serving on or before January 2013, to obtain the credential by January 2018.<sup>4</sup> The plan indicated that approximately 43 percent of employees eligible to retire at the time of the VERA-VSIP implementation were in a series that required the Level I certification. Therefore, with a 2018 deadline for the certification, the employees in those positions at the time of the VERA-VSIP implementation had sufficient time to comply with the new mandate or could have retired under their own accord without the agency having to pay an incentive payment.

The plan also identified that potentially 885 employees, in 14 position titles, did not possess the competencies or skills needed to perform their jobs. However, according to OHRS officials, SBA did not complete a skills gap analysis until February 2016, more than 1 year following the VERA-VSIP implementation. Additionally, the plan listed 49 other positions as affected by "organizational change," including Law Librarian, Paralegal Specialist, Lead Mail Clerk, and Audio Visual Production Specialists. Neither the plan, OPM reports, subsequent interviews, nor agency documentation indicated that these positions, or others, changed because of organizational reshaping.

In addition, SBA reported to OPM, in the VERA-VSIP request, that it established a High-Risk Task Force to examine the outlined programmatic, demographic, and budgetary challenges. According to the request, one outcome of the High-Risk Task Force was to create an SBA-wide steering committee to review FTE allotments across the agency and to determine the best allocation of FTEs to accomplish the agency's mission. We found no evidence of a High-Risk Task Force or of a steering committee dedicated to the stated functions. While some of SBA's senior officials we interviewed participated in committees with similar names, none participated in a steering committee formed to review VERA-VSIP FTEs, and none had heard of a High-Risk Task Force.

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<sup>4</sup> National Defense Authorization Act for Fiscal Year 2013, H.R. 4310, Sec. 1622(c).

## **SBA Did Not Make Significant Changes to Its Organizational Structure**

SBA did not have a restructuring plan in place before offering the VERA-VSIP option, which made it difficult for SBA to achieve desired organizational structure changes. Additionally, OHRS did not include the majority of SBA's leadership team in the planning of the VERA-VSIP program until after the plan had been signed by the Administrator and submitted to OPM. According to Government Accountability Office (GAO) findings, efforts to address key organizational issues, like strategic workforce planning, are most likely to succeed if, at their outset, agencies' top program and human capital leaders set the overall direction, pace, tone, and goals of the effort.<sup>5</sup>

SBA partially based its request for VERA-VSIP on the concept that the agency's new Administrator was reshaping the organization to align with her vision for SBA, including a new service delivery model to be executed by employees with heightened competencies and skills. Yet, SBA did not implement a new service delivery model and did not target employees for the VERA-VSIP program based on competencies and skills. Further, SBA did not develop a mechanism to track any reshaping efforts within the organization and provided inaccurate information to OPM regarding the agency's restructuring.

### *Restructuring Plan for VERA-VSIP*

In the FY 2014 VERA-VSIP plan, SBA stated that it faced a skills gap in its workforce resulting primarily from a significant change in its service model. According to an OHRS official, 2 months after the VERA-VSIP employees had separated from the agency, SBA hired a consulting firm to prepare white papers to aid in the development of a new service model and recommend changes to the agency's organizational structure.<sup>6</sup> The consulting firm delivered the white papers to OHRS officials in March 2015.<sup>7</sup> However, OHRS officials did not take any actions to implement the recommendations in the white papers. According to OHRS officials, the Administrator's office was reviewing the white papers and they were waiting on direction from senior officials before implementing the recommended organizational or service level model changes. Subsequently, in September 2016, the Chief of Staff told us that SBA would not implement the white paper recommendations. More than 2 years after the 2014 VERA-VSIP implementation, SBA has yet to implement a new service model.

### *Methodology for Identifying Eligible VERA-VSIP Positions*

Although SBA's VERA-VSIP plan focused heavily on competencies and skills gaps resulting from a significant change in its service model indicating the need for the VERA-VSIP, SBA did not consider these factors when identifying the list of eligible positions. Instead, SBA OHRS officials created the list of eligible positions for the VERA-VSIP plan by identifying all SBA employees who met the age and service requirements for immediate retirement. In follow-up correspondence between SBA's OHRS officials and the OPM reviewing official, the OPM reviewing official questioned the method of identifying positions eligible for the VERA-VSIP. Specifically, the OPM reviewing official reminded OHRS officials that VERA and VSIP were position-based authorities, not employee-based authorities. OHRS officials responded by describing vast organizational changes within the agency to justify the broad universe of positions eligible for the VERA-VSIP. Although SBA crafted a

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<sup>5</sup> GAO-04-39, Key Principles for Effective Strategic Workforce Planning (December 2003).

<sup>6</sup> SBA employees who accepted the VERA-VSIP were required to separate from the Agency by September 30, 2014. SBA contracted with the consulting company 2 months later in November 2014.

<sup>7</sup> SBA spent approximately \$466K for the consulting firm's services.

compelling rationale to justify the list of eligible positions, there was no particular organizational change planned at the time the VERA-VSIP authority was requested.

### *Mechanism to Track the VERA-VSIP Reshaping Efforts*

OHRs officials who planned the VERA-VSIP program did not design a tracking mechanism or designate an individual to track the agency's use of the VERA-VSIP program. As a result, SBA was not able to account for all of the positions vacated through VERA-VSIP. At the time of SBA's VERA-VSIP program, OPM required agencies to report how VERA-VSIP affected the shape of the workforce and whether VERA-VSIP had the desired results, as well as other information. Although SBA did not track restructuring efforts, an OHRs official provided quarterly reports to OPM regarding VERA-VSIP, as required by VERA and VSIP regulations.<sup>8</sup> In the final report to OPM, SBA's OHRs official stated that it was, "too premature to determine the full impact of VERA-VSIP offering," but noted several general changes to SBA. Additionally, the OHRs official reported that SBA made progress to reshaping the workforce by initiating evaluations of service models and creating white papers to determine the best course of action for reshaping. However, SBA's final report to OPM was submitted in January 2016 and, based on our analysis, SBA had already improperly filled more than 35 percent of the positions vacated through VERA-VSIP.

### **SBA Did Not Make Substantial Changes to Job Functions**

According to OPM officials, a position vacated through a VERA-VSIP program should either be eliminated or restructured and not filled in the same manner. OHRs officials understood that restructuring positions required significant changes such as relocating, having a major duty added or restructured, implementing new standards, or changing the duties by 25 percent or more. The CHCO communicated these goals to agency officials, during a meeting held on September 4, 2014. However, on October 27, 2014, the CHCO issued a memorandum to OHRs staff that contained guidance that allowed filling positions deemed too critical to go vacant or not appropriate for restructuring or relocation without a significant change to the position. One week later, under the direction of the CHCO, an OHRs official provided detailed information to program office senior officials on how to submit recruitment requests to OHRs human resources staff to fill a VERA-VSIP vacancy deemed too critical to go vacant without any form of restructuring or reshaping. These actions were in direct conflict with SBA's distinct assurance to OPM that it would restructure every position vacated due to VSIP.

In regards to the SES positions SBA included in the VERA-VSIP plan, OPM required SBA to describe "how specifically the SES positions will be restructured in the future (e.g., to reflect newly required skills, competencies, knowledge) if a VSIP is granted." SBA assured OPM that any vacated SES positions included in the VERA-VSIP would be reallocated to other places in the agency and not refilled unless restructured or re-described to address skill imbalances. The CHCO's October 27, 2014, memorandum and the guidance to program offices explicitly contradicted the assurance provided to OPM following OPM's express concern that "SES positions are viewed as critical to the organization or 'continuing' positions that would need to be refilled."

Because of the CHCO's guidance, OHRs human resources staff filled positions vacated under VERA-VSIP without a significant change, contrary to the intent of VSIP, OPM guidance, and SBA's guarantee to OPM.<sup>9</sup> We found that 54 of the 149 positions vacated under the 2014 VERA-VSIP were filled without a significant change in function or other required change (see Appendix I). Thus, SBA

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<sup>8</sup> 5 CFR § 831.114 and 5 CFR § 842.213; 5 CFR § 576.

<sup>9</sup> 5 U.S.C. § 3522.

paid \$2.1 million as an incentive for early retirement for positions it did not restructure following the VERA-VSIP implementation (see Appendix II).<sup>10</sup> Most notably, SBA filled SES and other high-level positions without consideration of the VERA-VSIP program requirements as follows:

- The COO, a contributor to the VERA-VSIP plan, retired and received an incentive payment, under the VERA-VSIP. An OHRS official claimed that converting the position from career SES to political appointment was a significant change to the position and therefore met the intent of the VERA-VSIP. However, neither the duties of the COO nor the organizational structure of the office significantly changed. In fact, the position description was identical for the politically appointed COO and the former career COO.
- The dual-titled Deputy Associate Deputy Administrator for GCBD and Deputy Assistant Administrator for Noncontiguous States and Territories retired and received an incentive payment under the VERA-VSIP. According to GCBD officials, this was a mission-critical position. This position was vacant for 20 months before SBA filled the position using a revised position description and a new title of Deputy Associate Administrator for GCBD. Not only was the SES position not reallocated, the responsibilities of the position were not significantly changed.
- Five District Directors retired and received incentive payments under the VERA-VSIP. SBA filled all five positions within 6 to 12 pay periods after the VERA-VSIP, using the same position descriptions and without any restructuring to the organization.

During our audit, we met with SBA's COO and Deputy COO to discuss the preliminary findings of this report. Based on the information we provided, the Deputy COO issued a memorandum rescinding the provision in the October 27, 2014, guidance that allowed the agency to fill vacancies created by the FY 2014 VERA-VSIP program that SBA deemed critical or essential to key agency operations without a significant change to the position. The memorandum gave the direction, moving forward, for OHRS to reshape any position created by the VERA-VSIP program prior to filling the vacancy.

## **Conclusion**

SBA did not develop specific and measureable goals, provide accurate information, significantly change the agency's organizational structure, or substantially change job functions to sufficiently address the programmatic, demographic, and budgetary challenges described in the FY 2014 VERA-VSIP plan. SBA may have been more successful had OHRS officials included SBA's program offices' leadership teams in the planning of the VERA-VSIP program. However, OHRS did not involve these officials until after the Administrator had signed the plan and OHRS submitted it to OPM. In addition, OHRS officials may have been able to demonstrate program accomplishments had they developed a mechanism to track how the SBA used the vacated positions within the Agency.

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<sup>10</sup> Of the \$2.1 million paid to the employees who voluntarily separated from SBA under the VERA-VSIP program, \$1.3 million was paid out in incentive payments and the remainder was for accrued annual leave payments. See scope and methodology section for additional information on how we identified these positions.

## **Recommendations**

We recommend that the Chief Operating Officer:

1. Conduct and document a lessons learned on the FY 2014 VERA-VSIP performance, including planning, implementation, results, and recommended improvements. Include input from multiple stakeholders within the agency, specifically administrative and program office senior officials.
2. Develop and issue procedural guidance to ensure that SBA officials conduct future VERA-VSIP programs in accordance with VERA and VSIP regulations and OPM guidance.

## **Analysis of Agency Response**

SBA management provided formal comments that are included in their entirety in Appendix IV. SBA management agreed to implement the recommendations by September 29, 2017.

## **Summary of Actions Necessary to Close the Report**

The following provides the status of the recommendations and the necessary action to close them.

1. Resolved. The Chief Operating Officer and the Chief Human Capital Officer concurred with our recommendation and plan to complete final action on this recommendation by September 29, 2017. The recommendation can be closed when SBA provides evidence that it conducted a “lessons learned” on the FY 2014 VERA-VSIP performance, including planning, implementation, results, and recommended improvements, with input from multiple stakeholders within the agency, specifically administrative and program office senior officials.
2. Resolved. The Chief Operating Officer and the Chief Human Capital Officer concurred with our recommendation and plan to complete final action on this recommendation by September 29, 2017. The recommendation can be closed when SBA provides evidence that it developed and issued procedural guidance in accordance with VERA and VSIP regulations and OPM guidance.

## **Appendix I: Objective, Scope, and Methodology**

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Our audit objective was to determine whether SBA accomplished its FY 2014 VERA-VSIP program goals.

To answer our objective we obtained SBA's VERA-VSIP plan, OPM's approval letter, and SBA's reports to OPM on the results of the VERA-VSIP. We interviewed OHRS personnel from the Strategy, Policy, and Accountability Division who managed the program, the Workforce Acquisition Division and the Executive Resources Team who filled VERA-VSIP vacated positions, and Payroll Processing Division who provided payroll support. We interviewed personnel in the Office of Chief Financial Officer Performance Management regarding the computation of VSIP payment estimates included in the plan. We also spoke with the individual who approved the plan at OPM. We reviewed applicable laws and regulations, and OPM's guidance on VERA and VSIP, as a basis for our audit.

One of the key individuals responsible for the majority of the decisions involved in the VERA-VSIP program planning and implementation process, the CHCO, left the agency in December 2015. Because the CHCO was no longer with the agency, we reviewed the VERA-VSIP program planning documentation, including meeting materials, workforce planning analyses, and financial analyses on the cost of the VERA-VSIP, in order to gain a better understanding of the intended goals of the program.

In order to assess the extent SBA achieved its planned goals, we reviewed all hiring, promotion, demotion, and reassignment actions that occurred from October 2014 through December 2015 including the audit universe of 149 employees who separated from the agency under the FY 2014 VERA-VSIP program. We analyzed this information to assess how SBA filled the vacated VERA-VSIP positions. Additionally, we interviewed senior officials in GCBD, Office of Capital Access, Office of Field Operations, and Office of the Chief Financial Officer to understand the extent to which the program office achieved the VERA-VSIP program goals. We also interviewed the SBA's Chief of Staff for an Agency-wide perspective on the VERA-VSIP program performance.

To determine whether a position was filled without a significant change, we reviewed the position description, the Request for Personnel Action (SF-52), and the Notice of Personnel Action (SF-50) for the filled position from information housed within the Workforce Acquisition Division in OHRS. Additionally, we reviewed the position description, SF-52 for the voluntary retirement as well as the VERA SF-50, the VSIP SF-50 that identified the amount of the incentive payment, and the leave data for the VERA-VSIP employee who vacated the position housed within the Human Resource Systems and Payroll Processing Division. Since OHRS was unable to provide the resources to pull the requested information, the audit team accessed the personnel records in the electronic official personnel folder and retrieved the necessary documents. We also reviewed Record of Leave Data forms (SF-1150) to check annual leave totals to be paid.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Use of Computer-Processed Data**

We relied on data reported in the National Finance Center and OHRS systems; Recruitment, Assessment, Selection, Credentialing, and Onboarding Tracking System; and VERA-VSIP application database to develop our audit universe and audit sample. We relied on information obtained directly from OPM's electronic Official Personnel Folder. We verified that data recorded in the National Finance Center and OHRS systems matched the information contained in the personnel folder documentation that we reviewed. As a result, we believe the information is reliable for the purposes of this audit.

## **Review of Internal Controls**

The Office of Management and Budget Circular A-123 provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal controls. According to OMB, agencies are responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.<sup>11</sup> We reviewed SBA's VERA-VSIP program and determined SBA management did not design effective controls. We found that SBA did not establish roles or procedures for monitoring the implementation of the VERA-VSIP plan and could not provide reasonable assurance on the accomplishments of the VERA-VSIP goals. Compounding the lack of controls to track the accomplishments of the VERA-VSIP program, CHCO directed human resources and program office hiring officials to override controls designed by the OHRS policy official on filling VERA-VSIP vacated positions. Finally, we found that SBA provided inaccurate quarterly reports on the status of the VERA-VSIP implementation to OPM.

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<sup>11</sup> OMB Circular A-123, Management's Responsibility for Internal Control (December 21, 2004).

## Appendix II: OIG Schedule of Questioned Costs<sup>12</sup>

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Amount	Description	Explanation
\$1,335,798	Unnecessary Incentive Payment	VSIP payments to the 54 VERA-VSIP employees who held positions that SBA subsequently filled without a significant change in function or other required change
\$796,701	Unnecessary Annual Leave Payment	Annual leave payments to the 54 VERA-VSIP employees who held positions that SBA subsequently filled without a significant change in function or other required change
\$2,132,499	Total of Unnecessary Incentive and Annual Leave Payments	

Source: OIG data analysis of OHRS human resources records.

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<sup>12</sup> Questioned costs are expenditures that are not supported by adequate documentation at the time of the audit or otherwise do not comply with legal, regulatory, or contractual requirements.

## Appendix III: Best Practices Associated with the Effective Use of VERA-VSIP

We used the following source documents to identify best practices when offering a VERA-VSIP option: (1) VERA regulations, (2) VSIP regulations, (3) OPM VERA Guide, (4) OPM VSIP Guide, (5) OPM Human Resources Flexibilities and Authorities in the Federal Government, (6) OPM Workforce Reshaping Handbook, (7) GAO March 2006 Report – Agencies Are Using Buyouts and Early Outs with Increasing Frequency to Help Reshape Their Workforces, and (8) SBA Human Capital Strategic Plan FY 2013–2016.<sup>13</sup>

	Practice/Action	Source Document	SBA Performed Action
1	Identify the specific reshaping goals of the agency.	1, 3, 4, 6, 7	No
2	Review current and develop future organizational charts at the program and agency levels.	2, 3, 4, 5, 6	No
3	Identify key staff to manage the process from the planning stages through the reporting and evaluation stages.	1, 2, 3, 4	No
4	Confirm that the agency is able to financially support VERA-VSIP or other outplacement services.	2, 4, 6	Yes
5	Develop workforce reshaping strategies that fully consider alternative methods.	3, 4, 5, 6, 7	No
6	Develop and implement, or review effective workforce/human capital, succession, and reshaping plans.	1, 5, 8	No
7	Develop a knowledge transfer system targeting retirement eligible staff in mission-critical occupations.	2, 8	No
8	Review existing labor agreements and consider any collective bargaining obligations.	3, 4, 6	Yes
9	Design buyout and early out offerings that demonstrate a clear relationship to the agency's workforce reshaping goals and overarching strategic goals.	1, 2, 5, 6, 7	No
10	Design buyout and early out offerings that consider employees' needs.	7	No
11	Develop a communications strategy early in the process.	5, 6, 7	No
12	Prepare staff for increased workload and prepare to advise interested employees on the amount of their annuity and related items.	1, 3, 4, 5, 6	No
13	Consider and adopt ways to maximize cost savings.	7	No
14	Establish an evaluation system to identify and report relevant data on buyout and early out recipients.	5, 7	No

<sup>13</sup> (1) 5 CFR § 831.114 and 5 CFR § 842.213; (2) 5 CFR § 576; (3) *OPM Guide to Voluntary Early Retirement Regulations* (August 2006); (4) *OPM Guide to Voluntary Separation Incentive Payments* (August 2006); (5) *OPM Human Resources Flexibilities and Authorities in the Federal Government Guide* (August 2013); (6) *OPM Workforce Reshaping Handbook* (July 2009); (7) GAO-06-324, *Human Capital: Agencies Are Using Buyouts and Early Outs with Increasing Frequency to Help Reshape Their Workforces* (March 2006); and (8) *U.S. Small Business Administration Strategic Human Capital Plan FY 2013–2016*.

**SBA**

**CHIEF OPERATING OFFICER  
AND  
CHIEF HUMAN CAPITAL OFFICER**

**RESPONSE TO AUDIT REPORT**



**U.S. SMALL BUSINESS ADMINISTRATION**  
**WASHINGTON, D.C. 20416**

**DATE:** May 23, 2017  
**TO:** Riccardo R. Buglisi  
Office of Inspector General (OIG)  
**THRU:** Joseph Loddo  
Chief Operating Officer (COO)  
**FROM:** Elias Hernandez  
Chief Human Capital Officer (CHCO)  
**SUBJECT:** SBA's Management of Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment Program

Thank you for the opportunity to respond to the Report on SBA's Management of the Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment Program (V/V). The object of the review was to determine whether SBA accomplished its FY 2014 VERA-VSIP program goals.

The Office of the Chief Operating Officer (OCCO) and the Office of Human Resources Solutions (OHRS) concur with the Office of the Inspector General's recommendations. The COO and CHCO will address the findings. Below please find the Agency's response to each of the recommendations outlined in the report.

*Recommendation 1: Conduct and document a "lessons learned" on the FY 2014 VERA-VSIP performance, including planning, implementation, results, and recommended improvements. Include input from multiple stakeholders within the agency, specifically administrative and program office senior officials.*

Explanation of the Proposed Action:

Concur. OHRS will conduct an after action review that will address the categories outlined in the recommendation.

Projected Completion Date: September 29, 2017.

*Recommendation 2: Develop and issue procedural guidance to ensure that SBA officials conduct future VERA-VSIP programs in accordance with VERA and VSIP regulations and OPM guidance.*

Explanation of the Proposed Action:

Concur. OHRS will provide written guidance outlining expectations and mitigation strategies for ensuring compliance with any OPM approved VERA/VSIP plan.

Projected Completion Date: September 29, 2017.