

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6515

**Memorandum**

To: Members, Committee on Small Business  
From: Committee Staff  
Date: June 12, 2017  
Re: Hearing: “A Cautionary Tale: A Review of SBA’s Failed FY 2014 Agency Restructure”

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On Wednesday, June 14, 2017 at 11:00 a.m., the Committee on Small Business will meet in Room 2360 of the Rayburn House Office Building for the purpose of examining how the Small Business Administration (SBA) managed its FY 14 Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) program. If implemented properly, the VERA and VSIP options help federal agencies restructure and reshape their workforce.

**I. Background**

*A. Voluntary Early Retirement Authority*

The Voluntary Early Retirement Authority (VERA) allows federal agencies the option to offer voluntary early retirement to restructure and downsize an agency’s workforce.<sup>1</sup> In order to be eligible for VERA, employees must have completed 20 years of service and be over the age of 50, or have completed 25 years of service regardless of their age.<sup>2</sup> To be granted VERA, agencies must submit a formal request to the Office of Personnel Management (OPM). Agencies are encouraged to write a blueprint for how VERA would reduce obsolete skill sets, create positions with desired skill sets, and save the agency money in the long run.<sup>3</sup> OPM may modify or terminate an agency’s VERA if the agency is no longer undergoing substantial workforce reorganization or if the agency did not administer the authority in a manner consistent with the law.<sup>4</sup>

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<sup>1</sup> U.S. OFF. OF PERSONNEL MANAGEMENT, GUIDE TO VOLUNTARY EARLY RETIREMENT REGULATIONS (March 2017), available at [https://www.opm.gov/policy-data-oversight/workforce-restructuring/voluntary-early-retirement-authority/vera\\_guide.pdf](https://www.opm.gov/policy-data-oversight/workforce-restructuring/voluntary-early-retirement-authority/vera_guide.pdf) [hereinafter OPM VERA].

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

## *B. Voluntary Separation Incentive Payments*

Usually combined with VERA, the Voluntary Separation Incentive Payment (VSIP) authority allows agencies to offer lump-sum payments of up to \$25,000 to employees who are in surplus positions or have skills that are no longer needed.<sup>5</sup> The agency is supposed to outline how VSIP would help cut costs and improve efficiency without hurting an agency's ability to carry out its mission.<sup>6</sup> In its VSIP request, the agency must: (1) identify positions and functions the agency wants to reduce or eliminate; (2) describe the categories of employees that will be offered VSIP; (3) include the time period for the buyout; (4) include the number and maximum of VSIPs to be offered; (5) describe how the agency will operate without the eliminated or restructured positions and functions; (6) include a proposed organizational chart; (7) explain how VERA will be used in conjunction with VSIP; and (8) if necessary, describe how VSIPs are offered under another statutory authority.<sup>7</sup>

## **II. SBA Failed to Accomplish Its VERA-VSIP Restructuring Goals**

In FY 2014, SBA submitted and was granted VERA and VSIP authority from OPM.<sup>8</sup> According to its VERA-VSIP plan, SBA's three primary goals were: (1) addressing workforce competency and agency skill gaps; (2) decreasing the average age of the agency's workforce; and (3) addressing budgetary constraints to avoid a reduction in force.<sup>9</sup> The SBA Office of Inspector General (OIG) conducted an audit of SBA's management of the FY 2014 VERA and VSIP program.<sup>10</sup> Released May 30, 2017, the OIG's audit determined that SBA "achieved few, if any, of its planned goals and paid \$2.1 million that SBA could have used for other priorities."<sup>11</sup> In fact, SBA did not even develop specific and/or measurable goals or significantly change the agency's workforce or structure.<sup>12</sup>

### *A. SBA Failed to Include Accurate Information in its VERA-VSIP Plan*

In its VERA-VSIP plan submitted to OPM, SBA included inaccurate information.<sup>13</sup> For example, SBA claimed in its plan that it established a High-Risk Task Force to examine the

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<sup>5</sup> U.S. OFF. OF PERSONNEL MANAGEMENT, GUIDE TO VOLUNTARY SEPARATION INCENTIVE PAYMENTS 1 (March 2017), available at <https://www.opm.gov/policy-data-oversight/workforce-restructuring/voluntary-separation-incentive-payments/guide.pdf> [hereinafter OPM VSIP].

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 6–7.

<sup>8</sup> OIG, SBA, AUDIT REPORT ON SBA'S MANAGEMENT OF VOLUNTARY EARLY RETIREMENT AUTHORITY AND VOLUNTARY SEPARATION INCENTIVE PAYMENT PROGRAM, (Rep. No. 17-13) (2017), available at [https://www.sba.gov/sites/default/files/oig/SBA\\_OIG\\_Report\\_17-13.pdf](https://www.sba.gov/sites/default/files/oig/SBA_OIG_Report_17-13.pdf) [hereinafter "IG Report"]. According to the OIG, on July 2, 2014, the SBA Administrator signed its VERA-VSIP plan and submitted it to OPM. OPM approved SBA's VERA-VSIP plan on August 12, 2014. The SBA Administrator announced the VERA-VSIP program to its employees on August 19, 2014. Any and all employees accepting the VERA-VSIP were required to separate from SBA by September 30, 2014.

<sup>9</sup> *Id.* at 1.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 3.

<sup>12</sup> *Id.* at 3, 7.

<sup>13</sup> *Id.* at 4.

challenges that necessitated the VERA-VSIP.<sup>14</sup> Further, one of the outcomes of this High-Risk Task Force was to create an SBA-wide steering committee to review full-time equivalent (FTE) allotments across the agency.<sup>15</sup> The OIG found, however, no evidence of the High-Risk Task Force or the SBA-wide steering committee.<sup>16</sup>

*B. SBA Failed to Address Agency Skill Gaps and Workplace Competency*

Despite being one of its main goals, SBA failed to measure, determine, or evaluate the agency's skill gaps and workplace competency. Its VERA-VSIP plan did not outline how SBA would reshape and restructure its workforce.<sup>17</sup> Its plan did claim that SBA potentially had 885 employees, in 14 position titles, who did not possess competencies or skills needed to perform their jobs.<sup>18</sup> Yet, SBA did not complete a skills gap analysis until February 2016—one year *after* the VERA-VSIP was implemented.<sup>19</sup>

The OIG also found that 54 out of 149 vacated SBA positions were filled without significant change in function or other required change.<sup>20</sup> OPM recommends that, if vacated positions are refilled, the agency should focus on refilling those positions with employees with new and in-demand skill sets.<sup>21</sup> Additionally, OPM requires a proposed organizational chart displaying expected changes in the agency. SBA, however, did not review its current organizational chart or develop new charts that reflected changes caused by the VERA-VSIP.<sup>22</sup>

*C. SBA Failed to Decrease the Average Age of the Agency's Workforce*

SBA's VERA-VSIP plan failed to decrease the average age of the agency's workforce.<sup>23</sup> Not only did the SBA fail to identify a target percentage of employees who would be eligible for retirement over the five years following VERA-VSIP, but SBA did not have a contingency plan to transfer institutional knowledge of duties to younger employees.<sup>24</sup> SBA initially claimed it hired a younger workforce.<sup>25</sup> The OIG determined, however, that the average age of the agency's workforce did not change between 2014 and 2016.<sup>26</sup>

SBA did not either design a tracking mechanism or designate an individual to track which employees were taking advantage of the VERA-VSIP program.<sup>27</sup> Therefore, SBA could not track which positions were being vacated. Nonetheless, SBA still provided quarterly reports to

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<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at 4.

<sup>19</sup> *Id.*

<sup>20</sup> IG Report, *supra* note 8, at 6.

<sup>21</sup> OPM VERA, *supra* note 1, at 3.

<sup>22</sup> OPM VSIP *supra* note 5, at 7 and IG Report, *supra* note 8, at 3.

<sup>23</sup> IG Report, *supra* note 8, at 3.

<sup>24</sup> *Id.* at 3.

<sup>25</sup> *Id.*

<sup>26</sup> *Id.* at 5.

<sup>27</sup> *Id.* at 6.

OPM regarding its VERA-VSIP.<sup>28</sup> In its final report submitted to OPM in January 2016, SBA stated that it was “too premature to determine the full impact of the VERA-VSIP offering,” but the agency had made progress reshaping its workforce. The OIG determined that by that point, SBA had already improperly filled at least 35 percent of the positions vacated through VERA-VSIP.<sup>29</sup>

#### *D. SBA Failed to Address Budgetary Restraints*

In its VERA-VSIP plan, SBA claimed a reduction in force might be necessary if OPM did not approve the plan.<sup>30</sup> Yet, the SBA did not provide specific fiscal goals for cost savings.<sup>31</sup> Further, according to the principal author of the VERA-VSIP plan, there was no actual threat of a reduction in force at that time.<sup>32</sup>

#### *E. OIG Recommended that SBA Conduct a “Lessons Learned”*

The OIG recommended that SBA conduct and document a “lessons learned” on the FY 2014 VERA-VSIP performance.<sup>33</sup> It further recommended that SBA develop and issue procedural guidance for future VERA-VSIP programs.<sup>34</sup>

### **III. Reforming the Federal Workforce**

SBA is not the only federal agency to ineffectively implement its VERA-VSIP over the past few years. The Environmental Protection Agency (EPA) Office of Inspector General (OIG) found that the EPA paid \$11.9 million for 479 voluntary buyouts in FY 2014.<sup>35</sup> While several positions were modified or eliminated through this workforce modification, the report said that 8 vacated positions were filled after buyouts that were not modified or eliminated.<sup>36</sup> These 8 buyouts cost the agency \$200,000 in buyouts that did not result in changed or eliminated positions.<sup>37</sup>

The Administration has prioritized reforming and reducing the federal workforce. On April 12, 2017, the Office of Management and Budget (OMB) sent a memorandum to all federal agencies on a new comprehensive plan for reforming the federal government.<sup>38</sup> This reform plan

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<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* at 3.

<sup>31</sup> *Id.* at 3.

<sup>32</sup> *Id.* at 3.

<sup>33</sup> *Id.* at 8.

<sup>34</sup> *Id.*

<sup>35</sup> OIG, EPA, QUICK REACTION REPORT: EPA SHOULD ENSURE POSITIONS VACATED UNDER BUYOUTS ARE ELIMINATED OR PROPERLY FILLED 3, (Rep. No. 15-P-0184) (2015), available at <https://www.epa.gov/sites/production/files/2015-09/documents/20150714-15-p-0184.pdf>.

<sup>36</sup> *Id.* at 3.

<sup>37</sup> *Id.* at 3.

<sup>38</sup> Memorandum from Mick Mulvaney, Dir., Off. of Mgmt. and Budget, to Heads of Executive Dep’ts and Agencies, “Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce,” (April 12, 2017) (M-17-22), available at <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2017/M-17-22.pdf>.

requires agencies to submit an Agency Reform plan by June 30, 2017 that would provide a blueprint for staffing reductions over the next four years.<sup>39</sup> One of the primary mechanisms for staffing reductions will be through the VERA-VSIP authorities. Therefore, OMB will be offering streamlined templates and faster approval processes for agencies requesting VERA-VSIP.<sup>40</sup>

#### **IV. Conclusion**

SBA failed to effectively manage and implement its FY 2014 VERA-VSIP program. As a result, SBA spent over \$2.1 million for early retirements that were not properly restructured. SBA failed to achieve any of its goals. In fact, SBA's workforce was left almost completely unchanged by the VERA-VSIP. This hearing will seek to pull out lessons learned from SBA's attempted restructure. This hearing will also be a cautionary tale to other agencies seeking to restructure their workforces through the VERA-VSIP option in the near future.

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<sup>39</sup> *Id.* at 1.

<sup>40</sup> *Id.* at 10.