



**A Cautionary Tale: A Review of SBA's Failed 2014 Agency Restructure**

**June 13, 2017**

**AS PREPARED FOR DELIVERY**

Good morning. I call this hearing to order.

The Committee is here today to examine how the Small Business Administration managed its Fiscal Year 2014 Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment program.

According to the SBA's Office of Inspector General, SBA failed to effectively manage and implement this program.

The Voluntary Early Retirement Authority—or VERA—allows federal agencies the option to offer voluntary early retirement to restructure and downsize an agency's workforce. Usually combined with VERA, the Voluntary Separation Incentive Payment authority—or VSIP—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.

In 2014, SBA submitted a request to the Office of Personnel Management for VERA and VSIP authority. SBA claimed that it wanted to:

- Address workforce competency and agency skill gaps,
- Decrease the average age of the agency's workforce, and
- Address budgetary constraints to avoid a reduction in force.

OPM granted SBA's request.

The Office of Inspector General conducted an audit of SBA's management of its VERA-VSIP program. In its audit released just a couple of weeks ago, the OIG determined that SBA failed to achieve any of its goals. It did not address workforce competency and agency skill gaps. It did not decrease the average age of the agency's workforce. It did not address budgetary constraints to avoid a reduction in force. In fact, apparently, the agency was facing no real threat of a reduction in force.

OIG's audit uncovered a number of other troubling findings. SBA did not complete a skills gap assessment until a year after the VERA-VSIP was implemented. SBA did not have a contingency plan to transfer institutional knowledge to younger employees. SBA did not even have a tracking mechanism to determine which employees were taking advantage of the early retirement buyouts.

Further, SBA gave inaccurate information in its plan submitted to OPM. SBA claimed it established a High-Risk Task Force to examine the challenges necessitating the VERA-VSIP. No task force existed. SBA claimed a steering committee was established to review the agency workforce allotments. No steering committee existed.

The VERA and VSIP options are supposed to help agencies restructure and reshape their workforces. Yet, SBA's workforce was left almost completely unchanged.

This hearing will hopefully pull out lessons learned from which SBA can use in the future.

And more broadly, as other agencies potentially seek to restructure their workforces through the VERA-VSIP options, they can also learn from SBA's experience. To learn that—as with most things in life—preparation is key.

I want to thank the Office of Inspector General for its work on this topic. The OIG's work helps to improve the integrity, accountability, and performance of the SBA and its programs. This audit report is just one example of that.

I want to thank our witnesses for being here today. We look forward to hearing your testimony.

I now yield to the Ranking Member, Ms. Velázquez, for her opening statement.

