

Office of Inspector General
U.S. Government Accountability Office

Debt and Interest Waivers Procedures are Needed to Ensure Decisions are Consistent with Federal Requirements

Accessible Version

May 2018
OIG-18-3



May 21, 2018

Memorandum For: Gene L. Dodaro
Comptroller General of the United States

From: Adam R. Trzeciak
Inspector General

Subject: Transmittal of Office of Inspector General's (OIG) Audit Report

Attached for your information is our report, *Debt and Interest Waivers: Procedures are Needed to Ensure Decisions are Consistent with Federal Requirements* (OIG-18-3). The audit objective was to evaluate the extent to which GAO has established controls for ensuring uniform standards are applied in debt and interest waiver decisions consistent with federal requirements.

The report contains three recommendations intended to ensure that debt and interest waiver decisions are consistent with federal requirements. GAO agreed with our recommendations and stated that it has taken or initiated actions to address them. We will assess whether actions taken address the intent of our recommendations once documentation supporting the actions described by GAO is provided to us. Management comments are included in Appendix I of our report. Actions taken in response to our recommendations are expected to be reported to our office within 60 days.

We are sending copies of this report to the Executive Committee, GAO's Congressional Oversight Committees, the Audit Advisory Committee, and select GAO managers, as appropriate. The report is also available on the GAO website at <http://www.gao.gov/about/workforce/ig.html>

If you have questions about this report, please contact me at (202) 512-5748 or trzeciaka@gao.gov.

Attachment



O I G

Office of Inspector General

United States Government Accountability Office

**Office of Inspector General
U.S. Government Accountability Office**

Report Highlights

May 18, 2018

DEBT AND INTEREST WAIVERS

Procedures are Needed to Ensure Decisions are Consistent with Federal Requirements

Objective

This report addresses the extent to which GAO has established controls for ensuring uniform standards are applied in debt and interest waiver decisions consistent with federal requirements.

What OIG Found

GAO has not established actionable procedures to help ensure that federal requirements for deciding when and how to waive debt or interest are met. Specifically, GAO has not developed effective procedures needed to ensure that debt and interest waiver decisions made by the Chief Human Capital Officer are consistent with the principles of equity, fairness, and the interests of the United States, as required by federal law. In addition, the Human Capital Office was unable to provide documentation for many of the debt waiver decisions reviewed or the documentation provided did not support the debt waiver decisions that were made—which limits management's assurance that GAO's use of waivers meets federal requirements.

What OIG Recommends

OIG is making three recommendations intended to help ensure that debt and interest waiver decisions are consistent with federal requirements. First, develop and implement procedures to consider equity in debt waiver decisions and to waive interest on debts consistent with federal standards and applicable laws. Second, develop and implement procedures to help ensure that Human Capital Office staff properly identify and maintain waiver information made or received as evidence of GAO's waiver activities, consistent with GAO's debt collection policy and *Standards for Internal Control in the Federal Government*. Third, enforce compliance with the requirements of GAO's official electronic records management system for debt and interest waiver records. GAO agreed with our recommendations and stated that it has taken or initiated actions to address them.

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Abbreviations

CHCO	Chief Human Capital Officer
DM/ERMS	Document Management/Electronic Records System
FERS	Federal Employees Retirement System
HCO	Human Capital Office

Introduction

Under federal law, GAO has the authority to waive collection of claims against employees arising out of erroneous payments of (1) pay and allowances or (2) travel, transportation and relocation expenses and allowances.¹ Pursuant to federal regulations, an authorized agency official may also waive collection (in whole or in part) on any interest or penalties owed on the debt.² Uniform federal standards should be applied by agencies when making waiver determinations, to include conditions for deciding when and how to waive debt or interest assessed on a debt. Because waivers represent money that GAO will not recover, clear policies and actionable procedures are needed to ensure that federal requirements are consistently adhered to and that GAO acts in the best interests of the government.

Objective, Scope, and Methodology

This report addresses the extent to which GAO has established controls for ensuring uniform standards are applied in debt and interest waiver decisions consistent with federal requirements.

To achieve our objective, we reviewed relevant federal laws and regulations, and GAO policies and procedures governing debt and interest waivers.³ We interviewed Human Capital Office (HCO) managers and staff (the Deputy Chief Human Capital Officer, Records Management Liaison Officer, and current and former debt collection coordinators) to obtain an understanding of the procedures and related controls concerning waiver requests and their disposition. We focused our review on debt and interest waiver decisions made by the Chief Human Capital Officer (CHCO) between October 1, 2011 and March 23, 2017. We obtained and analyzed data provided by HCO for 193 waiver decisions (39 debt and 154 interest). This data included (1) the number and dollar amount of waiver applications granted in full, (2) the number and dollar amount of waiver applications granted in part, and (3) the number and dollar amount of waiver applications denied in their entirety.

To assess the reliability of the data, we manually tested the data against other sources of information, such as prior OIG debt collection work and manual debt cancellation, adjustments, and waiver information processed by HCO, to check for missing or duplicate records, and waiver dates outside of our review timeframes. We discovered some waiver decisions that were pending, duplicates, not included, or not waiver decisions at all. We resolved these discrepancies with HCO staff, which reduced our review to 103 waiver decisions. These included 17 debt and 86 interest waiver decisions. To assess the accuracy of the reasons for the debts, waiver actions, and amounts waived for these decisions, we traced the decisions to related source documents. We determined that the data we found were sufficiently reliable for the purposes of our review.

¹5 U.S.C. § 5584.

²31 C.F.R. § 901.9(g).

³5 U.S.C. § 5584, 31 U.S.C. § 3711, 31 U.S.C. § 3717(h), 31 C.F.R. § 901.9(b)-(g), and GAO Order 0254.1, *Debt Collection* (February 9, 2017). This order superseded GAO Order 0254.1, *Debt Collection*, dated October 2, 2014, and established policies to, among other things, clarify that the authority to conduct the debt collection management activities is delegated through the Chief Administrative Officer to the Chief Human Capital Officer.

We then reviewed and analyzed debt and interest waiver records maintained by HCO for each of the 103 waiver decisions, including written comments submitted by the employee, an account of the waiver action taken, the reasons the actions were taken, and other pertinent information. In addition to federal laws and regulations, we used GAO's debt collection policies and procedures, and *Standards for Internal Control in the Federal Government* to assess controls over debt waiver processes.⁴

We conducted this performance audit from February 2017 through May 2018 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 objective.

Background

Federal agencies, including GAO, are required to aggressively pursue collection on all debts arising out of activities of, or referred or transferred for collection services to, that agency—including debts owed by its employees. Under federal law, an authorized GAO agency official may waive collection for all or part of an erroneous payment made to an employee related to pay and allowances, or travel, transportation, and relocation expenses and allowances. In granting this authority, federal law requires that the waiver decision determine whether recovery would be against equity and good conscience or against the interests of the United States. In making such a determination, the official is required to consider *both* the employee's fault in connection with the erroneous payment and additional equitable factors. In assessing employee fault, the official evaluates whether there is any indication of fraud, misrepresentation, bad faith, or fault on the part of the employee. The law generally precludes an authorized official from waiving collection if evidence of employee fault exists. If there is no such indication, then a decision to grant or deny the waiver request must be based on principles of equity, good conscience, and the best interests of the United States given the circumstances present in the case.

As an incentive for prompt repayment of debts owed, federal law also requires agencies, including GAO, to assess interest, penalties, and administrative costs, as appropriate.⁵ Similar to the debt upon which the interest and late charges are based, GAO generally has the authority to waive the collection of interest, penalties, and administrative charges owed to the agency, as long as the waiver decision is based on, and consistent with, federal standards for compromise of claims.⁶ These standards include

- *Inability to pay:* The employee is unable to pay the full amount of the debt or the government will not be able to collect the full amount by enforced collection proceedings within a reasonable time, as verified through credit reports or other financial information;
- *Doubtful litigation:* The agency has a legitimate doubt concerning the government's ability to prove its case in court, for the full amount, either because of the legal issues involved or because of a bona fide dispute of the facts; or

⁴GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

⁵31 U.S.C. § 3717(a)(1); (e)(1)-(2).

⁶31 C.F.R. Part 902 and 31 C.F.R. § 901.9(g).

- *Diminishing returns*: The cost of collecting the claim does not justify the enforced collection of the full amount.

In addition, federal agencies, including GAO, have the authority to waive the collection of interest, penalties, and administrative charges if the agency determines that collection of these charges would be against equity and good conscience or not in the best interest of the United States.⁷

GAO's debt collection order establishes the agency's policies and general procedures for waiving debts owed to GAO.⁸ According to the order, GAO's CHCO, Chief Administrative Officer, and General Counsel, as appropriate (or their designee), are authorized to waive claims against GAO employees arising out of erroneous payments of pay or allowances or travel, transportation, or relocation expenses and allowances. In addition, they are authorized to waive collection of student loan repayment debts when the employee fails to complete a period of employment established under a service agreement.⁹

According to the order, the CHCO is responsible for reaching an initial waiver decision considering all relevant laws, regulations, policies, case law, and decisions of the Comptroller General. In addition, the CHCO can grant a waiver of claims in any amount, in whole or in part, when there is no doubt that all of the requirements for waiver are met, or deny a waiver of claims in any amount provided the applicant is advised of the right to appeal the denial to the General Counsel.

To support these waiver decisions, GAO debt collection policy requires a waiver report (usually from the unit that made the original overpayment) for debts over \$100, which should contain a chronological summary of the facts and circumstances surrounding the case, including among other things:

- a statement as to the circumstances under which the erroneous payment(s) was made, whether the employee had knowledge of the erroneous payment(s), and the steps the employee took, if any, to bring the matter to the attention of the appropriate official;
- legible copies of the originals of supporting documents such as leave and earnings statements, travel authorizations, and vouchers;
- statements of the employee and any other persons with relevant information;
- a statement as to the reason the office believes the erroneous payment occurred and a description of the corrective action taken to prevent the occurrence of similar erroneous payments;
- a determination as to whether there is any indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee or any other person having an interest in obtaining a waiver of the claim, the factual basis for such a determination and

⁷31 U.S.C § 3717(h), 31 C.F.R. § 901.9(g).

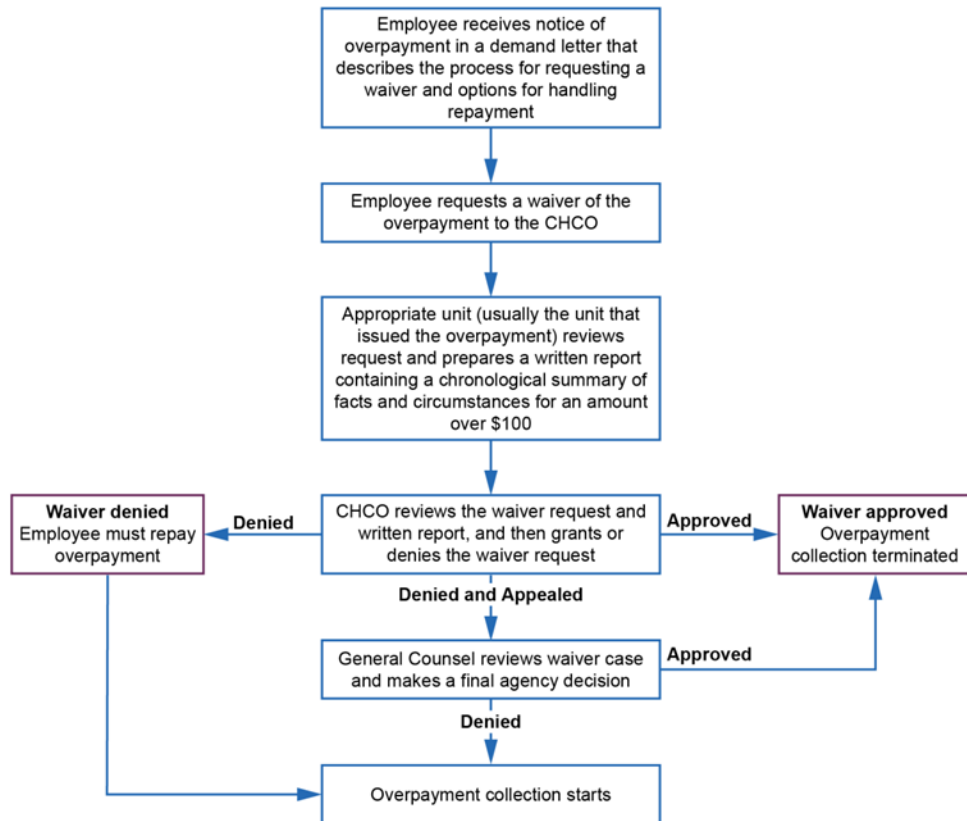
⁸GAO Order 0254.1.

⁹GAO Order 2537.1 *Student Loan Repayment Program* (October 12, 2017). According to the order, the Comptroller General may waive, in whole or in part, a right of recovery of an employee's debt if the Comptroller General determines that recovery would be against equity and good conscience or against the public interest. The employee must request a waiver of indebtedness under this program in writing to the Chief Human Capital Officer.

whether there is any reason(s) for the employee to know or whether the employee should have known of the erroneous payment; and

- a recommendation to grant or deny the waiver request.

Figure 1: Overview of GAO's Erroneous Payment Waiver Procedures



Source: GAO OIG's analysis of GAO debt waiver procedural guidance. | OIG-18-3

Lack of Equity Factors and Effective Procedures Weakens Assurance That Waiver Decisions Are Consistent with Federal Requirements

GAO has not established actionable procedures to help ensure that federal requirements for deciding when and how to waive a debt or interest are met. Specifically, GAO has not developed effective procedures needed to ensure that debt and interest waiver decisions made by the CHCO are consistent with the principles of equity, fairness, and the interests of the United States, as required by federal law. In addition, HCO was unable to provide documentation for many of the debt waiver decisions reviewed or the documentation provided did not support the debt waiver decisions that were made—which limits management’s assurance that GAO’s use of waivers meets federal requirements.

Procedures Have Not Been Developed to Ensure Consistent Application of Federal Debt and Interest Waiver Standards

Debt Waiver Decisions

In debt waiver decisions, GAO is required by statute to consider both employee’s fault and additional equitable factors. GAO policy requires the CHCO to consider all relevant laws, regulations, policies, case law, and Comptroller General decisions in reaching waiver decisions. The policy, however, does not provide procedures regarding the application of equity considerations, other than stating that the CHCO has authority to waive all or part of an employee’s debt “when there is no doubt that all requirements for waiver are met.” GAO has not developed procedures outlining the specific factors the CHCO should use to guide consideration of equity when making a waiver decision. The absence of specific equity factors in GAO procedures limits reasonable assurance that waiver decisions made by the CHCO are consistent with the principles of equity and good conscience, and the interests of the United States, as required by federal law.

We found the CHCO granted debt waivers in 9 of the 17 debt waiver decisions we reviewed. Generally, the debt waiver records showed that waivers were granted because the employees were held not at fault for the overpayment. There was no specific evidence that the CHCO’s determinations addressed equity factors such that it would be inequitable to require repayment of these debts, as the following debt waiver record illustrates.

In December 2013, GAO erroneously paid a student loan repayment benefit (totaling \$4,100) on behalf of an employee who declined the benefit. The employee did not sign a 3-year service agreement, which is a prerequisite to receiving benefits under the program.¹⁰ Before the employee separated from GAO in June 2016, HCO notified the employee of the student loan repayment obligation. Following initiation of collection proceedings, in an October 2016 e-mail message, the employee informed the CHCO that there was no unfulfilled service requirement, nor a debt owed to GAO, as the employee did not receive or sign a service agreement. The waiver statute vests an authorized agency official with discretion to waive the duty to repay the agency “if it is shown that recovery would be against equity and good conscience or against the public interest.” However, our

¹⁰Section 5379, title 5, United States Code, authorizes agencies, including GAO, to repay (by direct payment to the loan holder on behalf of the employee) all or part of an outstanding student loan to facilitate the recruitment or retention of highly qualified employees. In return for a loan repayment benefit, an employee must sign a written service agreement to complete a specified period of employment with GAO and to reimburse GAO for loan repayment benefits if the employee separated voluntarily, or is separated involuntarily for misconduct, unacceptable performance, or a negative suitability determination before fulfilling the service agreement.

review of the debt waiver record identified no support that the CHCO evaluated such interest. According to the waiver decision included in the waiver record, the CHCO waived the debt with the only explanation being the employee received the student loan repayment benefit in error and did not sign a service agreement.

Additionally, our review of the 17 debt waiver decisions found that, while not required to do so by policy, GAO considered another federal executive agency's equitable factors in reaching a decision on one employee's waiver request on appeal. The following factors were considered:

Whether collection of the claim would cause serious financial hardship to the employee from whom collection is sought;

Whether, because of the erroneous payment, the employee either has relinquished a valuable right or changed positions for the worse, regardless of the employee's financial circumstances;

The time elapsed between the erroneous payment and discovery of the error and notification of the employee;

Whether failure to make restitution would result in unfair gain to the employee; and

Whether recovery of the claim would be unconscionable under the circumstances.

After it applied these factors, GAO denied the employee's debt waiver request. Similar or specific equity factors like these in GAO procedures could provide reasonable assurance that debt waiver decisions made by the CHCO are consistent with the principles of equity and good conscience, and the interests of the United States, as required by federal law.

Interest Waiver Decisions

Under certain conditions, federal regulation allows GAO to waive all or part of interest on employee debts owed to the agency, as long as the decision is based on, and consistent with, federal standards. However, GAO's policy is not specific in this regard, only restating the requirement to assess interest and related charges when GAO is the creditor agency, in accordance with federal standards. Absent specific procedures that require documented standards and reasons for interest waiver, GAO management cannot readily ensure that the interest waiver decisions in these cases are consistent with federal requirements.

We found the CHCO initiated and granted interest waivers on debts owed by 86 employees included in our review. However, none of the 86 interest waiver records we reviewed included the evidence considered and the standards applied for the decisions. For example, our review of interest waiver records for the 86 employees found

- Interest waived on 85 debts concerned the Bipartisan Budget Act of 2013, which increased new-employee retirement contributions by 1.3 percent of salary beginning January 1, 2014.¹¹ In January 2015, HCO determined that it had placed 85 GAO employees in the incorrect retirement category, resulting in under-deducted Federal Employees Retirement System (FERS) contributions for each of the employees. In April 2015, the CHCO, rather than the affected employees, initiated the interest waiver

¹¹The Bipartisan Budget Act of 2013 included a section that increased the retirement contributions for new federal civilian employees covered by the Federal Employees Retirement System (FERS). New employees included those hired after December 31, 2013, as well as former employees rehired after December 31, 2013, who had less than five years of creditable civilian FERS service.

process and waived interest on the debts, with the sole explanation that “the bills were generated due to correction of FERS retirement codes.” The interest waiver records for these waived debts contained no documentation supporting the evidence considered by the CHCO or the standards for compromise applied for the waiver decisions.

- In the case of an erroneously issued reservist differential payment, the CHCO initiated and granted the employee a waiver of all interest and penalties assessed on the debt amount of about \$96,000. The sole explanation for the decision noted in the interest waiver record was “the employee received military differential for which the employee was not entitled.” The waiver record did not include the evidence considered or the standards for compromise applied for the interest waiver decision.

HCO management officials acknowledged that GAO has not developed procedures to guide consideration of equity in debt waiver decisions and for waiving interest on debts consistent with federal standards and applicable laws. According to these officials, HCO is currently developing waiver standard operating procedures.

Documentation Was Not Maintained or Was Inadequate To Support Debt Waiver Decisions

Our review of HCO’s debt waiver decisions found many debt waiver records where documentation was missing or did not support the waiver decisions to grant or deny waiver requests.

Employee Waiver Requests Were Not Well Documented

GAO policy requires an indebted employee to request a waiver from the CHCO if one is desired, including the reason(s) for the waiver request and supporting evidence. Therefore, the burden is on the employee to demonstrate that the waiver standard has been met.

Of 17 debt waiver records that we reviewed, 6 contained no evidence that a waiver was requested. For example, in one debt waiver record a debt was waived due to HCO’s error in determining an employee’s service computation date, resulting in a \$10,301 overpayment. In 2012, a debt waiver of the overpayment was granted, even though the waiver record contained written comments noting that the employee was waiting for HCO to determine whether and how the employee should refund the money. There was no documentation in the debt waiver record to indicate that the employee had requested a waiver or how the CHCO applied the waiver standards in making a determination to waive the \$10,301 debt owed the agency.

Of the remaining 11 debt waiver records reviewed, 10 contained a waiver application that generally addressed the reason(s) or justification for the request. However, only half (5 out of 10) of those debt waiver records included supporting documents submitted by the employee for the CHCO’s consideration when making the waiver decision.

Waiver Reports Used as Basis for Waiver Determination Were Missing or Generally Not Supported

Waivers of erroneous payments or overpayments is an equitable remedy that must be based on an assessment of the facts involved in the individual case under consideration. The waiver report (usually from the unit that made the original overpayment) is intended to

determine the employee's fault (e.g., employee's knowledge of the overpayment and any fraud or misrepresentation on the part of the employee) based on the facts and circumstances surrounding the case, including the amount of debt and basis for the claim.

However, 12 of the 17 debt waiver records reviewed did not contain a waiver report. For the debt waiver records missing waiver reports, we looked for elements of the report in other documentation in the debt waiver record to evaluate the extent to which the waiver record contained information about the debt. We determined whether the 17 waiver records included support for or an assessment of

- *Amount of debt:* 16 of the 17 debt waiver records contained evidence regarding the amount of the erroneous payment, but 12 of them did not contain a copy of GAO records related to the claim. OIG believes a complete debt waiver record is necessary to support the origin, nature, and basis for the debt and corrective actions. For example, HCO's administrative error in setting an employee's salary resulted in an overpayment of \$452. In 2016, the CHCO granted a waiver; however, the debt waiver record did not contain the erroneous personnel and payroll actions that caused the overpayment or the corrective actions processed that were used to determine and support the amount of the debt owed.
- *Employee knowledge:* Of the 17 debt waiver records reviewed, 10 did not include an assessment as to the employee's knowledge of the erroneous payment at the time of its occurrence and its relevance to the waiver decision. For example, in one case, an employee erroneously received a salary overpayment of \$822 over the course of 13 biweekly pay periods, for which the CHCO waived the debt. According to the documentation in the debt waiver record, the CHCO waived the debt with the only explanation being the employee notified HCO of the error. Beyond this explanation, the debt waiver record did not document a determination by the CHCO regarding why waiver was appropriate notwithstanding the employee's knowledge of the overpayments.
- *Employee fault:* Of the 17 debt waiver records reviewed, 7 included an HCO determination as to whether there was evidence of fraud, misrepresentation, fault, or lack of good faith on the part of the employee seeking the waiver. Only 2 of the 7, however, included evidentiary support for the determination. For example, in one of the two, an employee received student loan repayment benefits from GAO totaling \$5,124 over a 3-year period. The employee separated from GAO before fulfilling the service obligation for the student loan benefits received. Following initiation of collection proceedings, the employee requested a waiver of the debt, which the CHCO denied. On appeal, GAO's General Counsel affirmed the CHCO's decision to deny the waiver because the employee knowingly and voluntarily committed to reimburse GAO for the gross amount of benefit payments received if the service requirement was not met. Documentation in the debt waiver record provided clear evidence of the assessment and determination of employee fault, and the ultimate decision to deny the waiver consistent with federal standards.
- *Corrective action:* 6 of the 17 debt waiver records involved student loan repayment program debt and therefore corrective action was not applicable to these cases. Of the remaining 11 debt waiver records, 8 out of 11 of them that we reviewed did not include a description of the corrective action taken to prevent the occurrence of similar erroneous payments.

The lack of documentation contained in debt waiver records does not conform to GAO debt collection policy or *Standards for Internal Control in the Federal Government*. Internal

control standards require agency management to properly manage and maintain all documentation and records, and such documentation should be readily available for examination.

GAO, like other federal agencies, is legally required to manage its records, including debt and interest waiver records, as evidence of its activities under the Federal Records Act.¹² As a means of complying with the Federal Records Act, GAO adopted the Document Management/Electronic Records Management System (DM/ERMS) as its official record management system and issued DM/EMRS guidance to assist staff in meeting their record-keeping responsibilities. GAO implemented DM/ERMS in order to, among other things:

- Capture and preserve documents/records that are important evidence of how GAO conducts business, such as waiver applications and reports;
- Enable staff to share documents/records both locally and across headquarters and the field offices, such as sharing waiver documents across appropriate units with CHCO; and
- Provide ready access to record materials required to support GAO's business activities and processes, such as waiver decisions.

HCO has not taken steps to raise awareness among its management and staff of its commitment and intent to enforce GAO's electronic records management principles, functions, and programs for replacing decentralized, paper-based debt and interest waiver records management practices.

GAO's debt collection policy provides a framework of general procedures for waiver record requirements, stating that the written record should include a waiver report containing any written comments submitted by the employee, an account of the waiver actions taken, and the reasons for the actions. GAO policy requires the agency to retain the written record of the case in accordance with applicable records retention requirements, which carries a 7-year retention period. HCO has not developed standard operating procedures governing electronic debt and interest waiver records management consistent with GAO's recordkeeping requirements and guidance. Such action is a necessary step toward ensuring that its staff complies with GAO's recordkeeping requirements.

HCO officials acknowledged that HCO has not enforced compliance with the requirements of GAO's official electronic records management system for debt and interest waiver records. This lack of enforcement likely explains why OIG found employee waiver applications were often not well documented, and waiver reports were missing or generally not supported. According to the officials, debt waiver procedures are under development and will include a requirement for electronic waiver records management and retention consistent with GAO's recordkeeping requirements.

Conclusions

Given waivers represent money that GAO will not recover, clear policies and actionable procedures are needed to ensure that federal requirements are consistently adhered to and that GAO acts in the best interests of the government. In the absence of specific

¹²The Federal Records Act is codified at chapters 21, 29, 31, and 33 of title 44, U.S. Code. GAO is included in the definition of Federal agency at 44 U.S.C. § 2901 (14).

procedures governing the waiver process, GAO management cannot readily ensure that its debt and interest waiver decisions comply with federal requirements. Because waivers must be based on an assessment of the facts involved in the individual case under consideration, it is important for GAO to maintain adequate documentation to support the basis of its debt and interest waiver decisions consistent with GAO records recordkeeping requirements and guidance, and applicable record retention requirements.

Recommendations for Executive Action

To help ensure that debt and interest waiver decisions are consistent with federal requirements, we recommend that the Comptroller General direct the Chief Human Capital Officer to

1. develop and implement procedures to consider equity in debt waiver decisions and to waive interest on debts consistent with federal standards and applicable laws.
2. develop and implement procedures to help ensure that HCO staff properly identify and maintain waiver information made or received as evidence of GAO's debt and interest waiver activities, consistent with GAO's debt collection policy and *Standards for Internal Control in the Federal Government*.
3. enforce compliance with the requirements of GAO's official electronic records management system for debt and interest waiver records.

Agency Comments and Our Evaluation

The Inspector General provided GAO with a draft of this report for review and comment. In its written comments, reprinted in appendix I, GAO agreed with our recommendations and acknowledged a need to promote consistency in decision-making and compliance with applicable federal standards and laws.

In its response to our report, GAO outlined actions it had taken or initiated to develop and institute standard operating procedures, processes, and documentation requirements for its debt and interest waiver process.

We appreciate GAO management's oversight in taking or initiating corrective actions to address the concerns outlined in our report, which we will assess once documentation supporting the actions described by GAO is provided to us.

Appendix I: Comments from the U.S. Government Accountability Office



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Memorandum

Date: May 15, 2018

To: Inspector General – Adam Trzeciak

From: Chief Human Capital Officer – William White *William White*

Subject: Response to Draft Report on Debt and Interest Waivers: Procedures are Needed to Ensure Decisions are Consistent with Federal Requirements (OIG-18-3)

Thank you for the opportunity to review and comment on your draft report regarding GAO's debt and interest waiver process. We welcome the results of your review as an opportunity for us to enhance our operations and already have actions underway to address the report's recommendations. Your report focused on debt and interest waiver decisions made by the Chief Human Capital Officer (CHCO) between October 1, 2011 and March 23, 2017. During this period, there were multiple employees who served as the Indebtedness Program Manager as well as different CHCOs who issued decisions on debt waiver requests, which may have led to inconsistencies in the documentation supporting the decisions.

We agree there is a need to promote consistency in decision-making and compliance with applicable federal standards and laws. To that end, the Performance and Compensation Management Center worked closely with me in 2017 to develop and institute the standard operating procedures (SOP), processes, and documents described below.

Regarding your first recommendation, HCO has already taken action to institute the following:

- **GAO Debt Waiver Report:** This document is used by HCO to research each instance of salary overpayment that results in a debt waiver request. This report documents equitable factors used in determining whether a waiver request should be approved or disapproved by the CHCO and ensures compliance with federal standards and applicable laws.
- **SOP: Processing Debt Waiver Requests:** This SOP (1) outlines the roles and responsibilities of the Indebtedness Program Manager and other deciding officials; and (2) specifies the procedures that will be followed when HCO receives a debt waiver request.

Regarding your second recommendation, HCO's Processing Debt Waiver Requests SOP also includes an index outlining all the waiver documentation/evidence that must be maintained and stored for each debt waiver case in compliance with applicable policy and

standards. All records, including evidence, will be electronically stored in DM under the Indebtedness folder.

Regarding your third recommendation, HCO is also in the process of issuing guidance on storing and maintaining debt and interest waiver records in DM to comply with GAO's DM/ERMS requirements. When this guidance is issued, HCO will consider corrective action complete on all three recommendations.

cc: Karl Maschino, Chief Administrative Officer
Renee Caputo, Deputy Chief Human Capital Officer
Adebiyi Adesina, FMBO
Sandra Burrell, OIG

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Text of Comments from the U.S. Government Accountability Office

Memorandum

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OIG-18-3 Debt and Interest Waivers

To: Inspector General - Adam Trzeciak

From: Chief Human Capital Officer, William White

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We agree there is a need to promote consistency in decision-making and compliance with applicable federal standards and laws. To that end, the Performance and Compensation Management Center worked closely with me in 2017 to develop and institute the standard operating procedures (SOP), processes, and documents described below.

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- GAO Debt Waiver Report: This document is used by HCO to research each instance of salary overpayment that results in a debt waiver request. This report documents equitable factors used in determining whether a waiver request should be approved or disapproved by the CHCO and ensures compliance with federal standards and applicable laws.
- SOP: Processing Debt Waiver Requests: This SOP (1) outlines the roles and responsibilities of the Indebtedness Program Manager and other deciding officials; and (2) specifies the procedures that will be followed when HCO receives a debt waiver request.

Regarding your second recommendation, HCO's Processing Debt Waiver Requests SOP also includes an index outlining all the waiver documentation/evidence that must be maintained and stored for each debt waiver case in compliance with applicable policy and standards. All records, including evidence, will be electronically stored in DM under the Indebtedness folder.

Regarding your third recommendation, HCO is also in the process of issuing guidance on storing and maintaining debt and interest waiver records in DM to comply with GAO's DM/ERMS requirements. When this guidance is issued, HCO will consider corrective action complete on all three recommendations.

cc: Karl Maschino, Chief Administrative Officer

Renee Caputo, Deputy Chief Human Capital Officer Adebisi Adesina, FMBO

Sandra Burrell, OIG

Appendix II: OIG Contact and Staff Acknowledgments

OIG Contact

Adam R. Trzeciak, (202) 512-5748 or trzeciaka@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Evelyn Logue (Assistant Inspector General for Audit), Sandra Burrell (Engagement Manager), and Adriana Pukalski (Legal Counsel) made major contributions to this report. Other key contributors Louise DiBenedetto, Gregory Borecki, Elizabeth Dretsch, Melanie H. P. Fallow, Jill Lacey, Minette Richardson, and Cynthia Taylor.

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