

GAO

United States General Accounting Office

Report to the Chairman, Subcommittee
on Federal Services, Post Office, and
Civil Service, Committee on
Governmental Affairs, U.S. Senate

November 1989

SEPARATION PAY

FSLIC Managing Officer Did Not Receive Unwarranted Payments



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General Government Division

B-235547

November 14, 1989

The Honorable David Pryor
Chairman, Subcommittee on Federal
Services, Post Office, and
Civil Service
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This letter responds to your request on June 28, 1989, that we review the Federal Savings and Loan Insurance Corporation's (FSLIC) termination of employment of the Managing Officer at the FirstSouth Receivership in Little Rock, Arkansas. FSLIC discharged the Managing Officer for cause¹ on June 20 as a result of our audit work at the FirstSouth Receivership (GAO/GGD-89-98, June 16, 1989). You asked us to look into an allegation that the former Managing Officer was going to receive a large amount of severance pay or other benefits. We found that FSLIC did not pay the former Managing Officer any large or unwarranted payments or benefits and does not plan to pay her for accrued unused vacation leave.

FSLIC Payments

The only payment FSLIC made to the former Managing Officer upon her discharge for cause was for accrued unpaid salary. This complies with FSLIC's employment policies governing receivership employees. These policies say that "No separation pay apart from accrued base compensation will be paid to a person discharged for cause, except as may be required by State Law." Arkansas law does not require other payment.

Concerning the payment of benefits, the former Managing Officer had \$5,608.75 in accrued unused vacation leave when she was terminated. FSLIC had prepared a check for that amount but did not forward it to her. Upon her inquiry regarding why she had not been paid for this leave, FSLIC notified her of its above stated employment policies. These policies also say that "An employee discharged for cause is not eligible to receive accrued unused vacation leave unless specifically required by applicable state law." Arkansas law does not require payment of accrued unused vacation leave.

¹FSLIC defined cause in this case as a serious violation of policies related to or affecting the employee's duties or suitability for a position of trust; refusal to comply with the instructions or directions of a person placed in authority in the course of employment; and personal behavior inconsistent with the standards of conduct expected in a fiduciary financial enterprise.

Nevertheless, the former Managing Officer has subsequently contacted FSLIC in efforts to obtain payment for this leave. According to a FSLIC official, this is the only payment that she is trying to obtain from FSLIC, and FSLIC does not plan to pay it.

Objective, Scope, and Methodology

To determine whether the former Managing Officer had received a large amount of severance pay or benefits upon being discharged from employment, we examined FSLIC payroll records; reviewed FSLIC's employment policies and procedures and pertinent Arkansas employment law; and interviewed officials at FSLIC headquarters and its Eastern Regional Office in Atlanta, Georgia, where the records are filed.

We did our work during September and October 1989, using generally accepted government auditing standards. We discussed our findings with FSLIC officials, who agreed with them.

As agreed with your office, we plan no further distribution of this report until 3 days after the date of issuance, unless you publicly announce its contents earlier. At that time, we will send copies to FSLIC and other interested parties and make copies available to others upon request.

Major contributors to this report included Robert A. Korinchak, Evaluator-in-Charge, and Gerard S. Burke, Evaluator.

If we can be of further assistance, please call me on 275-5074.

Sincerely yours,



Bernard L. Ungar
Director, Federal Human Resource
Management Issues

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