

Runcie, James

From: Runcie, James
Sent: Tuesday, May 23, 2017 10:23 PM
To: Venable, Joshua; Manning, James; Rosenfelt, Phil; Conaty, Joe; Smith, Kathleen
Cc: Crowner, Quasette
Subject: Status

Dear Colleagues -

I have been consistently on record and clear about not testifying at the upcoming hearing on improper payments and provided the reasons both verbally and through emails going back to the beginning of May. While I have received some conflicting information regarding conversations with the subcommittees, I have not heard a single compelling reason from Department staff regarding the need to have the Chief Operating Officer of Federal Student Aid testify on improper payments.

Jay Hurt is the subject matter expert, Program Accountable Official for improper payments, the FSA Chief Financial Officer and a member of the FSA governance board (Operating Committee). The Department has spent considerable time and resources to ensure that Jay is well prepared for the testimony. In addition, Tim Soltis is the Agency Accountable Official for the overall Department. Either one of them would well represent both the Department and Federal Student Aid in a comprehensive discussion regarding improper payments. We have had other subject matter experts within FSA testify to Congress so this would not be a precedent.

In less dire circumstances, I would consider testifying as I have done on five previous occasions including discussions on improper payments. However, as the Chief Operating Officer accountable for the strategic and operational management of this Performance Based Organization, I am incredibly concerned about significant constraints being placed on our ability to allocate and prioritize resources, make decisions and deliver on the organization's mission. We have dozens of pages of decisions that have been typically made within Federal Student Aid that are now required to be elevated to the Department level. Once at the Department level, the decision making framework and process is not clear to anyone at FSA and the cycle time continues to increase risk for our work streams and stakeholders.

We have significant projects and deliverables that include the Income Driven Repayment/DRT, PCA contracts, servicing re-competition, borrower defense, FAFSA/DRT, VDC/NGDC, IPM, cyber security, year-round Pell Grants and a slew of others. This portfolio of work needs focus and support. This work is in addition to the tremendous responsibility that we have to successfully operate our base activities that support the origination and disbursement of \$125 billion annually, management of \$1.4 trillion portfolio, and oversight and compliance for thousands of post-secondary institutions and other entities. In order to deal with this volume of work, we submitted a request to the Secretary for waivers to hire key staff and remain hopeful that we will obtain a timely response.

Today members of FSA senior executive management met with Treasury officials to discuss transferring all or a portion of FSA to Treasury. We discussed the process of creating cross agency teams, holding numerous meetings and retreats to determine feasibility and a potential roadmap. This is just another example of a project that may provide some value but will certainly divert critical resources and increase operational risk in an increasingly challenging environment.

I am in receipt of the Secretary's memo which I received today at around 4:30p.m. It includes a directive to testify at the hearing two days from now. I have decided for the above reasons to not testify as I continue to be concerned about critical operational priorities.

I have had the privilege of serving as the Chief Operating Officer for the past 7+ years. I am very aware of the challenges and opportunities that come with managing an organization of this scope and complexity, and have been fortunate to work with a tremendous group of people who have successfully delivered repeatedly for students, families, schools, taxpayers and many other stakeholders. However, at this point, I am encumbered from exercising my authorities to properly lead this great organization.

I cannot in good conscience continue to be accountable as the Chief Operating Officer given the risk associated with the current environment at the Department. I want to also provide the Secretary with the ability to select a Chief Operating Officer that will be better aligned to whatever governance and management model she believes is most effective. Please accept this email as my resignation letter. My resignation is effective immediately. Thank you for the opportunity to serve.

Best regards - Jim