



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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FEDERAL PERSONNEL AND  
COMPENSATION DIVISION

B-203332

JULY 1, 1981

Lt. General Richard L. West  
Chairman, Board of Directors  
Army and Air Force Exchange Service



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Dear General West:

Subject: AAFES Personnel Policies For UA Employees:  
Issues and Concerns (FPCD-81-53)

We recently reviewed certain Army and Air Force Exchange Service's (AAFES) personnel policies and procedures which apply to Universal Annual (UA) employees. Our objectives were to gain an overview of these policies and procedures and to identify ways in which AAFES can more equitably or effectively manage its UA work force. We conducted our review at AAFES headquarters, Dallas, Texas.

We noted several areas where increased management attention could benefit AAFES and its employees and could provide more effective use of nonappropriated funds. Specifically, we identified (1) a number of unplanned transfer actions which were more costly than preplanned transfers, (2) several incidents of inconsistently applied mobility agreement policies, and (3) some examples of poor matching of employee skills with job requirements. We also reviewed the functions of the Central Promotion Board and identified several problems which suggest that management cannot rely on the board to consistently identify the best qualified candidates for promotion.

In addition, we found that AAFES employees do not enjoy the same appeal rights as other Federal employees and are not guaranteed the right to receive the supplemental retirement benefits they earned for participating in the AAFES executive management program.

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These issues and our suggestions for program improvements are further discussed in the enclosure.

We discussed our concerns with AAFES management and considered their views where appropriate. We would appreciate receiving any comments you might have on our findings and would like to be advised of any actions taken as a result of our suggestions.

Copies of this letter are being sent to the Chairman, Nonappropriated Fund Panel, House Armed Services Committee; and the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics). Copies will be provided to others on request.

Sincerely yours,

  
Rosslyn Kleeman  
Associate Director

Enclosure

AAFES PERSONNEL POLICIES FOR UA EMPLOYEES:ISSUES AND CONCERNSQUESTIONABLE CAREER  
MANAGEMENT PRACTICES

The AAFES career management system is charged with controlling the career progression, transfer, and placement of the executive, managerial, and technical work force. The system's underlying objective is to achieve optimum use of staff resources. AAFES has a total of 64,200 employees, including 4,200 classified as UA employees. The UA work force is paid according to a salary structure identical to that of Federal General Schedule employees.

Transfer management appears inexact

Both public and private management sources recognize that the cost of relocating employees has risen steadily in recent years and will likely continue to rise. AAFES has spent approximately \$6 million to relocate over 700 employees (about one-third of its mobile work force) in each of the past 2 years and estimates a need to continue this level of relocations in the immediate future. Our review suggests that the costs of these employee transfers can be significantly reduced.

AAFES' operating procedures require the Personnel Division's Career Management Branch to identify individuals annually for rotation overseas and to project any other operational requirements which would necessitate employee transfers. This process results in a list of rotation candidates and is the basis on which career management officials budget transfer monies. Ideally, individuals who have been identified as candidates for rotation are matched with other persons in the same career field who have been similarly identified, resulting in concurrent transfers--literally a "job swap." Although transfers managed in this manner appear to have been the most advantageous to AAFES, maximizing job/skill matching and minimizing costs, we found that most transfers were not made under these conditions.

We reviewed 88 of the 1980 transfer actions and found that only 39, or 44 percent, of the individuals who were moved had been identified as rotation candidates. In most instances employee transfers resulted from unplanned staffing changes. These unplanned transfers are more costly and disruptive than preplanned transfers.

The unplanned transfer actions are handled by one or more of four personnel staffing specialists, each of whom is responsible for monitoring the careers and scheduling the transfers of about 1,000 AAFES employees. The process of identifying

individuals for such transfers relies heavily on each staffing specialist's knowledge about the people he is responsible for, rather than on a systematic approach which would include identifying all potential candidates for a specific position and analyzing a list of eligibles to identify the most acceptable candidates. Because the process is not systematic, 19 of the transfer actions we reviewed resulted in subsequent chain reaction moves of from 3 to 10 employees. Also, in almost every case the transfers were due not to promotions but to lateral moves which in some cases resulted in higher graded individuals filling lower graded positions.

In one instance an Employee Development Specialist assigned to an exchange region was transferred within the region to a Personnel Management Specialist position. Three subsequent transfers, at an estimated cost of \$27,000, were involved in filling his vacated position. These three transfers included two employees who had not been previously identified as rotation candidates. After only 2 months the same employee was transferred to a similar position at an area exchange. This transfer cost about \$10,000 and, again, triggered three subsequent transfers of individuals who had not been identified as rotation candidates.

In another instance an Administrative Officer was promoted and transferred to another position within the headquarters; 11 months later he was transferred back to his old job. The second local transfer triggered a sequence of five nonlocal moves. The Administrative Officer's immediate replacement was returned from overseas after only 18 months in place. He had not been identified as a rotation candidate and, in fact, had applied for an extension on his overseas assignment. Only 1 of the other 4 individuals involved in the subsequent related transfers had been identified as a rotation candidate, and all 4 had been in their present jobs less than 2 years. The total transfer costs to AAFES were estimated at \$56,000.

Information gathered by the Office of Personnel Management and various private sector sources suggests that employees may be less productive immediately before and after a transfer. To the extent that such observations hold true, management improvements which reduce transfers could increase AAFES productivity.

#### Mobility policies inconsistently applied

Personnel regulations governing AAFES establish the normal Continental United States (CONUS) tour length at 4 years and specify most overseas assignments as 36-month tours. Our review of employee transfer actions suggests, however, that AAFES lacks a consistently applied policy regarding normal tour lengths and transfer deferrals.

We noted that some employees serving under mobility agreements remained at 1 location for tours of from 9 to 15 years.

Conversely, other mobile employees at similar grades in the same career field, and under similar circumstances, were relocated between CONUS facilities after tours of between 12 and 24 months. Of the 88 individuals whose nonlocal transfers we reviewed, 40 percent (35) had been moved after tours of less than 3 years, and more than half of those employees had tours of less than 24 months.

Approximately 78 percent of AAFES' UA work force serve under mobility agreements. Personnel regulations specify that such employees may not decline transfer and that penalty for doing so is termination of employment. A mobile employee may request a temporary transfer deferral for compassionate reasons, but such a request must be in writing and must be tendered prior to the employee's receiving a notification of pending transfer. A request for deferral after an employee has received a transfer notification is considered a declination, making the individual subject to termination.

An AAFES official familiar with the application of this particular policy informed us that the policy is not consistently applied. Two specific incidents we reviewed lend support to the official's contention. In the first incident, a UA-12 Contract Specialist with 8 years total AAFES service, 3.5 years at his current location, was identified for an overseas transfer. Upon receiving his transfer notification, the Contract Specialist applied for a compassionate deferral. The deferral request was denied, and the individual was terminated.

In the second incident a UA-13 Merchandising Specialist with 24 years service, 7.5 years at her current location, was identified for an overseas transfer. Following transfer notification she applied for a compassionate deferral. She was issued a letter reminding her that deferrals could not be requested after transfer notification, but the deferral was granted, and she continued in her present position. Both individuals were serving under mobility agreements at the time these incidents occurred. The reasons for requesting deferral were similar, and no other mitigating facts, such as poor performance, were documented in either person's personnel records.

#### Need to better match employee skills and job requirements

In order to further upward mobility and to develop generalist managers with a broad base of organizational experience, AAFES has generally pursued a policy of cross-training UA employees from one career field to another, rather than hiring individuals from outside the organization for positions above established entry-level grades. AAFES personnel managers cite the ability to cross-train employees as a key tool in retaining desirable employees during reductions in force and in meeting fluctuating management needs. However, the cross-training of some individuals for

unrelated career fields appears to have been inadequate. Employees have been transferred to specialized fields in which they have had minimal training and little or no qualifying experience. Consequently, employees are performing technical or supervisory jobs at a full performance grade even though they lack the minimum qualifications specified for successful performance.

For example, a UA-9 Administrative Officer was promoted to a UA-11 Inventory Management Specialist. The job description for the UA-11 position required 3 years of progressively responsible general experience in supply, purchasing, accounting, finance, statistical merchandising, or similar activities, and a minimum of 3 years specialized experience in inventory management. At least 6 months of the required specialized experience should have been at the next lower grade level. This employee, however, had no experience at the UA-9 level and only limited, related experience at the UA-7 level as a merchandising assistant; the bulk of this employee's AAFES assignments had been in various part-time and hourly paid secretarial jobs and in two general administrative positions. The employee was transferred into the job, which required full skill performance under minimum supervision, without the benefit of a prior training assignment or any scheduled on-the-job training.

In eight other instances of career field crossover, we found that the combined training and experience of employees in four of the instances failed to meet the qualification standards established in the job description. These mismatches between employee skills and job requirements involved employees at UA grades 11, 13, 14 and 15.

An additional example involving cross-training illustrates another potential area of concern for management. A UA-10 with an accounting degree had been hired by AAFES as a college trainee in the Audit Division and had spent his 3.5 year tenure with AAFES as an internal auditor. In order to fill a need for automotive facilities managers, AAFES identified him for transfer and concurrent involuntary cross-training into the automotive services career field. The individual protested the career change but could not get the assignment withdrawn. He then declined the transfer and was terminated for doing so. In this instance AAFES not only failed to fill its need for an automotive facilities manager, but also lost an auditor whose performance had been rated above average and in whom the organization had invested 3.5 years of training.

Our survey, although limited in scope, raises significant questions about AAFES' career management practices. We suggest that AAFES

--analyze the causes for unplanned transfers and take actions to limit them, especially when these transfers result in a chain reaction of other transfers;

--take actions to assure that its transfer policies are equitably and consistently applied; and

--review its cross-training policies and practices to (1) better match employee skills and job requirements, (2) insure that needed training is provided, and (3) limit where possible, transfers which require employees to involuntarily leave their chosen career fields.

#### AAFES Comments

Although they had not studied the specific examples cited, AAFES management officials expressed the general opinion that the mobility-related incidents we observed were isolated in nature and not representative of most transfer actions. The officials further contended that, although they do not often require involuntary career field changes, the ability to do so is an essential management tool for developing generalist managers.

Although the scope of our work was limited, the number of instances of questionable practices we found, coupled with similar incidents reported during our earlier review of retail procurement <sup>1/</sup> and additional examples cited in reports by AAFES Internal Audit, suggests to us that a significant problem may exist.

#### THE CENTRAL PROMOTION BOARD PROCESS COULD BE IMPROVED

The AAFES promotion system is intended to be consistent with merit and equal employment opportunity principles and to provide highly qualified managers whose advancement is based on proven performance. The Central Promotion Board was established to rank and list all UA employees. This list can be used by management as a promotion selection tool. We identified several problems which suggest that management cannot rely on the board to consistently identify the best qualified candidates for promotion. For example, 15 percent of UA-13 promotions from the 1979 list were selected from other than the top-ranked candidates-- a potential violation of merit principles. Also, the board's process does not provide employees with sufficient information on how they can improve their standing in the organization.

Central Promotion Boards, which are convened annually, are charged with reviewing in a few days every AAFES employee being considered for promotion to a particular grade level. Board members must review hundreds of employee records, evaluating each person on performance, qualifications, potential, and professional development. They have only a few minutes to convert

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<sup>1/</sup>"More Effective Internal Controls Needed to Prevent Fraud and Waste in Military Exchanges" (FPCD-81-19, Dec. 31, 1980).

their evaluation to a numerical score. The process necessitates very limited reviews and results in wide variations in scoring.

The board that evaluated UA-12s in 1980 met for 6 days during which each of the 7 members reviewed the records of 819 individuals. Members read, assessed, and scored the records in an average of approximately 3 minutes per record. The board evaluating UA-13s and UA-14s reviewed records at approximately the same rate of speed.

We compared the 1980 rankings of the top 20 UA-12s with their rankings in 1979 and noted that 4 had moved up more than 150 positions on the list (of these 4, 1 had moved up more than 200 positions) with no apparent change in performance or qualifications. The average change in rank for these 20 UA-12s was 109 positions. The top ranked individual in 1980 moved up from a ranking of 109 in 1979. His record indicated that he was performing the same job, was being rated by the same supervisor, was given the same performance rating score, had attended no training courses or outside self-development courses, and had received no awards or honors during the intervening year. We recognize that some upward mobility was due to the 63 UA-13 promotions during the year.

When we calculated the effect that scoring variances could have on an individual's position on the ranking list we found that, on the board's 100 point scoring basis, a scoring difference of 1 point by 1 Board member was sufficient to change an individual's position 3 to 4 places. In ranking UA-12s for promotion, board procedures allow for as much as a 20-point variance between individual members' scores before the board considers why the variance occurred. In 1980, if 1 board member's score had varied by the allowable 20 points, it could have moved an individual more than 180 positions. The same variance by a second member could have moved an individual more than 350 positions.

We analyzed the 63 UA-13 promotions made from the 1979 lists of UA-12 candidates to determine management's reliance on the board's results. The board produced 2 lists of candidates: 1 list ranked 658 UA-12s with 2 or more years in grade, and a second list ranked 194 UA-12s with less than 2 years in grade. The top 2 candidates from the second list were promoted and the remaining 61 promotions came from the first list. We found that 9 promotees (15 percent) from the first list were ranked lower than 62: Their rankings were 63, 77, 134, 172, 178, 209, 250, 389, and 528. If it is assumed that the Commander, AAFES, promoted the most qualified candidates, the board's process did not always identify them.

Although the Commander promoted candidates who ranked much lower than others, the reasons are not documented. We could not determine why, for example, the 528th ranked candidate was promoted

from the 1979 list. We noted that other higher-ranked individuals, including minorities in the same career field as the person promoted, were bypassed.

Compounding the above problems is the fact that summary documents in employee files are sometimes erroneous, and records are sometimes incomplete. We reviewed the career management folders of 15 employees to determine if the folders, which contain the only information considered by the board, were representative of each employee's career and qualifications. These folders are prepared and maintained by AAFES Personnel Division. We found that six of the folders contained erroneous data and three folders lacked relevant information which should have been considered by the board.

One of the documents contained in each career management folder is a computerized, personal profile which highlights on a single printout page all of an individual's assignments, training, and education. Because of the short review time available to board members, we felt that this summary document assumes an added importance in the review process. We also reviewed the personal profiles of the 20 top-ranked employees promoted to UA-13 in 1980 and found that 8 of them had erroneous entries regarding either formal education, AAFES training, or both.

The Central Promotion Board has largely conducted its work in secret. Board proceedings have not been thoroughly explained to employees, board members are sworn to an oath of secrecy, board workpapers are destroyed following each meeting, and employees are prohibited from learning either their scores or their rankings.

Department of Defense personnel policy states that each employee will be given every opportunity to develop his or her potential for advancement. We suggest that, in consonance with this policy, employees should have the right to know their competitive status, as determined by the board, and that this status should be used as a basis for counseling employees on specific ways they can improve their performance and promotion potential. The secrecy surrounding the Central Promotion Board does not seem to serve an employee well.

Memoranda from board chairmen to the Commander are written to identify individuals that board members consider "marginal performers." Our limited review indicates that this function does not appear to be useful. In three of six cases we reviewed, we could find no evidence that the individuals rated as "marginal" had been informed of the board's findings. For the individuals who were officially notified, the suggested corrective action was enrollment in one or more AAFES-sponsored correspondence courses. AAFES officials did not follow up to determine whether the individuals had enrolled. In one instance an individual was

rated as "marginal" in 2 consecutive years by different boards. Neither board recommended any corrective action, and we could find no evidence that he had been officially notified of the second "marginal" ranking.

To improve the board's process, we suggest that AAFES

- determine why top-ranked candidates are bypassed in order to promote lower ranking individuals and whether the 20-point variance required to trigger further review needs to be reduced,
- document reasons for promoting lower ranking candidates and review these cases periodically to determine whether further changes in the Board's process are necessary,
- insure that files presented to the Board are complete and accurate,
- establish a procedure to inform employees of their relative ranking when such information is requested, and
- make the "marginal performer" identification process more meaningful or eliminate it.

#### AAFES comments

AAFES officials were generally supportive of the present process. They said the AAFES system compares favorably to military officer promotion boards and that they are not uncomfortable with the limited time spent reviewing records and ranking individuals. Further, they did not view the apparent random migration of individuals to different positions on the ranking list as significant. The Commander stated that he believed the present system allowed the best individuals to rise to the top of the list and eventually get promoted. He also believes that counseling employees on their promotability is not a valid function of the promotion system and supported the board's function of identifying "marginal performers" because of its perceived shock value on the employees involved.

#### EMPLOYEE APPEAL RIGHTS DO NOT PARALLEL THOSE AFFORDED OTHER FEDERAL WORKERS

AAFES personnel regulations provide that the Commander is the final appeals authority in virtually all adverse actions against employees. Further appeal to impartial authorities, such as the Merit Systems Protection Board, which is available to other Federal workers, is precluded because of AAFES' statutory exemption from most Federal personnel laws. The Department of Defense has not provided appeal channels independent of the AAFES command level.

The authority for formulating and implementing personnel policy rests with the AAFES Commander. Further, the Commander either approves or concurs in adverse personnel actions. We question the impartiality of the Commander who has authority over personnel management while serving as the final judge on personnel actions based on the policies he formulates. AAFES employees, as a matter of equity and in consonance with generally accepted principles of Federal personnel management, should have access to an impartial appeals process apart from the AAFES chain of command.

As previously mentioned, some AAFES employees were terminated without recourse for declining transfers or declining changes in career field which involved transfer. AAFES does not view employee terminations for declining transfer or actions taken against employees for refusing involuntary cross-training into an undesired career field as "adverse actions." Their rationale is that employees, by signing mobility statements or executive management program acceptance forms, forfeit such rights in advance.

Officials at the Office of Personnel Management informed us that they know of no other Federal agency which arbitrarily changes an individual's career field. They also said that when an agency requires its employees to be mobile, any action taken against an employee as a result of that agreement is considered adverse and appealable. They further commented that mobile employees who decline a transfer are generally downgraded to non-mobile positions or are subject to other administrative action; they knew of no other instances in which declining a transfer resulted in termination.

To improve employee relations, we suggest that AAFES

- establish an independent appeals process,
- change its policy to require that any employee subject to a mobilization agreement who declines a transfer be downgraded, and
- make transfers or involuntary career-field changes appealable.

#### AAFES comments

AAFES officials said that they believe their ability to enforce worldwide employee mobility is essential to performing the mission of the Exchange Service. They said that, in order to enforce mobility, they must maintain strict discipline among employees and that increasing an employee's options regarding transfer would seriously erode the degree of discipline that presently exists.

SUPPLEMENTAL RETIREMENT BENEFITS ARE  
NOT GUARANTEED

Virtually all employees in grades UA-13 and above, and approximately half of AAFES' UA-12s are members of the executive management program (EMP). Each of these employees is required to work under an EMP agreement which states that, in return for service under specified employment conditions, not experienced by other employees, management will provide specific benefits, one of which is an EMP supplemental retirement benefit.

The EMP supplemental retirement plan's benefits are nonvested, and management has reserved the right to cancel the plan at any time with no guarantee that benefits would continue to retired annuitants or survivors.

Entry into the EMP can occur at different points in an employee's career and, as a result, service under the program is for varying lengths of time. At present, an employee's EMP participation can be cancelled by the AAFES Commander at any time. Under the present unvested plan, any employee whose participation was cancelled would lose all right to any earned benefits.

Since some employees are serving under conditions not expected of other employees and have entered into a written agreement with management stating that they will be compensated for that service, AAFES should guarantee that the benefit agreed upon will be paid. Therefore, we suggest that benefits of the supplemental retirement plan be vested.

If benefits are made nonforfeitable, AAFES may want to consider establishing a graduated vesting schedule, based on length of EMP service. Such a schedule would provide different levels of compensation, depending on length of satisfactory service, and would guarantee that those who had served satisfactorily in the EMP were compensated equitably for such service. As a minimum, we suggest AAFES provide for full vesting at the time an individual becomes entitled to retire with an immediate annuity.

AAFES comments

AAFES officials disagreed with our suggestions. They commented that, under a system of nonforfeitable, vested benefits, an employee who becomes vested could decline transfer or become nonmobile without fear of losing plan benefits--a situation they deemed incompatible with the AAFES requirement of mandatory mobility.