

DOCUMENT RESUME

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[Mid-Atlantic Area Exchange Pay Conversion]. WPCD-78-8;  
B-164515. December 5, 1977. 5 pp. + enclosure (3 pp).

Report to Sen. Harrison A. Williams, Jr.; by H. L. Krieger,  
Director, Federal Personnel and Compensation Div.

Issue Area: Personnel Management and Compensation (300).

Contact: Federal Personnel and Compensation Div.

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Organization Concerned: Department of Defense: Army and Air  
Force Exchange Service, Mid-Atlantic Area Exchange;  
Department of the Army; Department of the Air Force;  
American Federation of Government Employees.

Congressional Relevance: Sen. Harrison A. Williams, Jr.

Authority: P.L. 92-392. F.P.M. Supplement 532-2.

An investigation was undertaken of claims by the American Federation of Government Employees (AFGE) 2nd District that the Mid-Atlantic Area Exchange, Army and Air Force Exchange Service, did not properly pay its employees at Fort Dix and McGuire Air Force Base, New Jersey, on implementing a new pay system. The AFGE was referring to provisions of Public Law 92-392 which placed under a new Federal wage system all federal nonappropriated fund employees considered to be "prevailing rate employees" (those in a craft or trade or in a manual labor occupation). Findings/Conclusions: AFGE's claim that employees should have been placed in the same step in the new wage schedules that they occupied previously had no valid basis. Employees were to be placed in the step that corresponded to their existing hourly rate. AFGE's claim that the Exchange delayed implementation of the new wage schedules had no apparent validity. Retroactive payments for the 3-month delay in implementing the new wage schedules were made to all employees who were entitled to payment. There was a problem associated with the second stage conversions performed by the Exchange. Some employees had been placed in too high a step while others had been placed too low. The errors resulted from misinterpretation of Civil Service Commission regulations dealing with waiting periods between steps and determinations of base dates for steps. The accuracy of the check made by the Exchange on 268 employees, including the calculation of underpayments and overpayments, was tested by examining 84 selected on a random basis. High error rates, 33% of the employees and 40% of the value of underpayments and overpayments, indicated that the Exchange's check of conversions was of questionable reliability. (Author/SW)



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

FEDERAL PERSONNEL AND  
COMPENSATION DIVISION

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R-164515

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The Honorable Harrison A. Williams, Jr.  
United State Senate

Dear Senator Williams:

In accordance with your request of February 17, 1977, and our subsequent discussions with your office, we have looked into claims made by the American Federation of Government Employees (AFGE) 2nd District, that the Mid-Atlantic Area Exchange (Exchange), Army and Air Force Exchange Service did not properly pay its employees at Fort Dix and McGuire Air Force Base, New Jersey, on implementing a new pay system. The AFGE was referring to provisions of Public Law 92-392 which placed under a new Federal wage system all Federal nonappropriated fund employees considered to be "prevailing rate employees" (those in a craft or trade or in a manual labor occupation).

We examined payroll and personnel records and held discussions with Exchange officials. We also discussed the claims with an AFGE 2nd District representative. A summary of the results of our work and our conclusions are set forth below.

Public Law 92-392 established a uniform policy for fixing and adjusting rates of pay for covered employees and gave the United States Civil Service Commission broad authority for implementing this policy. The Civil Service Commission, in Federal Personnel Manual Supplement 532-2, directed agencies to implement the new Federal NAF (nonappropriated fund) Wage System in two stages. The first stage was to modify, effective with the first pay period beginning after April 30, 1973, existing agency wage schedules to include five steps in each pay grade. Under the second stage, agency grade structures were to be converted to the grade structures of the new Federal NAF Wage System. This conversion was to occur with the adoption of new wage schedules derived from the first area wage survey conducted under Public Law 92-392.

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(963068)

The AFGE claimed that

--the Exchange placed employees in the pay step of the new wage schedules that corresponded to their existing hourly rate, but they should have been placed in the same step they occupied previously; and

--the Exchange delayed implementation of the new wage schedules for 3 months.

The AFGE stated it raised a labor grievance on this matter in 1974 which ultimately resulted in the Department of Labor directing both parties to arbitrate the dispute. Subsequently, according to AFGE, the Exchange admitted that some employees had been improperly paid because of the 3-month delay in implementing the new wage schedules. The Exchange gave AFGE lists of employees who were allegedly underpaid or overpaid. The lists showed that 104 employees were underpaid a total of \$11,002, and 61 employees were overpaid a total of \$7,085. The Exchange offered to waive collection of the overpayments if AFGE (on behalf of the employees) would agree to accept the underpayments as shown and waive arbitration. The AFGE questioned the accuracy of the Exchange's calculations.

We found that AFGE's claim that employees should have been placed in the same step in the new wage schedules that they occupied previously had no valid basis. Federal Personnel Manual Supplement 532-2 provided that employees were to be placed in the step that corresponded to their existing hourly rate. In cases where the existing rate fell between two steps, the employee was to be placed in the higher step.

We also found that AFGE's claim that the Exchange delayed implementation of the new wage schedules has no apparent validity. Exchange officials told us that retroactive payments for the 3-month delay in implementing the new wage schedules were made to all employees who were entitled to payment. We tested payroll records for 84 employees selected at random and found that the Exchange had authorized retroactive payments to 79 employees in May 1974. We did not verify the accuracy of these payments, however.

Although both of AFGE's claims were invalid, there was a problem associated with the second stage conversions performed by the exchange. The lists provided to AFGE by the Exchange represented errors made by the Exchange in converting employees from their existing wage schedules to the new wage schedules effective on December 29, 1973.

Exchange officials told us that although the second stage conversions were completed in March 1974, they were unaware of the errors for over 2 years.

In October 1976, Exchange officials checked the accuracy of the conversions for all employees who were still employed. They found that some employees had been placed in too high a step while others had been placed too low. An Exchange official told us that conversion errors were found for about two-thirds of the approximately 250 employees checked. The errors resulted from misinterpretation of Civil Service Commission regulations dealing with waiting periods between steps and determinations of base dates for steps. For all incorrect conversions, the Exchange calculated the amount of underpayment or overpayment projected through November 13, 1976. In doing so, the Exchange used estimates of 40 hours a week worked by full-time employees and 30 hours a week by part-time employees. The errors were not corrected on the payroll records, however, so that the incorrect payments continued after November 13, 1976.

We tested the accuracy of the check made by the Exchange in October 1976, including the calculation of underpayments and overpayments. The exchange checked conversions for 268 employees at Fort Dix and McGuire, of which we tested 84 selected on a random basis. We used the same estimates of hours worked as did the Exchange because actual hours were not readily available. The results were as follows:

<u>Check by Exchange</u> <u>Findings</u>	<u>Number</u>	<u>Number</u> <u>tested</u>	<u>Test by GAO</u>	
			<u>Number of</u> <u>errors found</u>	<u>Percent</u> <u>in error</u>
Employees underpaid	91	20	10	50
Employees overpaid	60	32	17	53
Employees paid correctly	<u>117</u>	<u>32</u>	<u>1</u>	3
Totals	<u>268</u>	<u>84</u>	<u>28</u>	33

The dollar difference represented by the errors found in our test is shown in the following table.

	<u>Amount determined by Exchange</u>	<u>Amount of difference</u>	<u>Percent of difference</u>
Underpayments	\$2,579	\$1,400	54
Overpayments	4,613	1,424	30
Correct payments	<u>--</u>	<u>36</u>	--
Totals	<u>\$7,192</u>	<u>\$2,860</u>	40

The results of our test for each of the 84 employees are shown in the enclosure to this letter. We discussed each of the errors disclosed by our test with Exchange officials, and they agreed with our findings.

Also, conversions to the new wage schedules for 476 employees which may have been done incorrectly were not checked by the Exchange in October 1976. These include

--448 employees who worked for some time between December 29, 1973 (effective date of conversions), and March 23, 1974 (completion of conversions), and who terminated employment prior to October 15, 1976 (cutoff date for the check); and

--28 employees who were employed when the conversions were performed and also at October 15, 1976. These employees should have been checked, according to Exchange officials.

In view of the high rates of error disclosed by our test--33 percent of the employee and 40 percent of the value of underpayments and overpayments--the Exchange's check of conversions to the new wage schedules produced results of questionable reliability. Also, the high rate of error in conversions disclosed by the Exchange's check makes it probable that many of the 476 conversions not checked were also incorrect. Further, the failure by the Exchange to correct payroll records for the errors it found has caused the amounts of underpayments and overpayments furnished to AFGE and those determined by GAO to become outdated.

We trust this letter satisfies your request. As arranged with your office, we are sending copies to the American Federation of Government Employees; the General

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Manager, Mid-Atlantic Area Exchange, and to the Secretaries of Defense, Army and Air Force. Copies will also be available to other interested parties who request them.

Sincerely yours,



H. L. Krieger  
Director

Enclosure

RESULTS OF GAO TEST  
OF EXCHANGE'S CHECK OF CONVERSION  
OF EMPLOYEES TO NEW WAGE SCHEDULES

<u>Employee name</u>	<u>Amount</u>	<u>Amount determined by GAO</u>	<u>Difference</u>
Torres, Laura	\$ 356.00	\$ -0-	\$ 356.00
Brown, Denise	303.20	a/(229.60)	532.80
Edson, Kum	155.20	11.20	144.00
Sease, Fannie	123.60	42.60	81.00
Walters, Eloise	91.20	-0-	91.20
Laforce, Maria	318.40	332.00	13.60
Sugener, Rosa	304.80	332.00	27.20
Davis, Leola	133.20	118.40	14.80
Phillips, Willie	244.80	205.60	39.20
Pusicz, Khai	20.00	119.80	99.80
Lawson, Sarah	52.80	52.80	-0-
Brown, Cacilia	78.40	78.40	-0-
Bacon, Stephen	18.00	18.00	-0-
Gregg, Christine	72.00	72.00	-0-
Young, Riyoko	61.60	61.60	-0-
Broadnax, Nellie	16.00	16.00	-0-
Halpin, Shirley	72.00	72.00	-0-
Virga, Frank	61.60	61.60	-0-
Phillips, Camille	48.00	48.00	-0-
Kennedy, Helga	48.00	48.00	-0-
<b>Total</b>	<b>\$2,578.80</b>		<b>\$1,399.60</b>

a/Represents overpayment

RESULTS OF GAO TEST  
CF EXCHANGE'S CHECK OF CONVERSION  
OF EMPLOYEES TO NEW WAGE SCHEDULES

Overpayments determined by Exchange		Amount determined by GAO		Difference
<u>Employee name</u>	<u>Amount</u>		<u>by GAO</u>	
Hines, Betty	\$ 92.40	\$	68.88	\$ 23.52
Walsh, Violet	320.80		582.40	261.60
Simms, Carrine	436.00		436.80	.80
Nettles, Jewel	101.70		115.20	13.50
Feaser, Robert	340.80		356.80	16.00
Pennisi, Florence	87.20		349.60	262.40
Gorham, Eugenie	46.40		a/(8.00)	54.40
Harley, Ida	114.40		124.80	10.40
Renna, Alfonso	125.00		178.60	53.60
Martin, Aljean	392.80		401.60	8.80
Christie, Lucila	167.20		177.60	10.40
Holmes, William	340.30		356.80	16.00
Brown, Marlene	72.00		334.80	262.80
Wisher, Denise	100.80		111.20	10.40
Goodnow, Ruth	217.60		324.00	106.40
Roberson, Earlean	256.80		a/(52.80)	309.60
Head, Rita	464.80		468.00	3.20
Miller, Bernadine	44.00		44.00	-0-
Glascoe, Edna	140.00		140.00	-0-
Moore, Myrtle	86.40		86.40	-0-
Neal, Minnie	123.20		123.20	-0-
Conway, John	49.60		49.60	-0-
Brown, Julia	111.20		111.20	-0-
Stanley, Françoise	28.80		28.80	-0-
Stafford, Edith	17.60		17.60	-0-
Cypress, Yvonne	43.20		43.20	-0-
McMullan, Louise	31.20		31.20	-0-
Alston, Margrit	32.00		32.00	-0-
Dixon, Bernice	68.00		68.00	-0-
Thomas, Eleese	57.60		57.60	-0-
Anderson, Mary	17.60		17.60	-0-
Burgos, Hirah	84.80		84.80	-0-
<b>Total</b>	<b>\$4,612.70</b>			<b>\$1,423.82</b>

a/Represents underpayment



RESULTS OF GAO TEST  
OF EXCHANGE'S CHECK OF CONVERSION  
OF EMPLOYEES TO NEW WAGE SCHEDULES

Correct payments determined by Exchange  
Employee name

White, Dimple	Should have been a \$36.00 underpayment instead of correct payment.
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No errors were found for the following employees:

Erimley, Viola  
Cordero, Gloria  
Reyes, Juanita  
Lawson, Martha  
Vega, Angeline  
Lawrence, Eugenia  
Whipperman, Michael  
Pennebaker, Lola  
Adams, Dolores  
Goodman, Prayoon  
Thomas, Marie  
Good, Marian  
Tucker, Irene  
Morey, Emma  
Smith, Elaine  
Chase, Betty Joe  
Mobley, Cannella  
Ostrander, Jay  
Hernandez, Holyce  
Rondeau, Soon  
McMillen, Elizabeth  
Wolf, John  
Koenig, Katie  
Williams, Perlle  
Randle, Elfriede  
Carter, Loretta  
Kelly, Ellen  
Gablik, Philippa  
Waldron, Thelma  
White, Ava  
Fox, Erna