



United States Office  
Of Government Ethics

Report Number 08-005

## Highlights

### Model Practices

- AAFES reaches all employees by publishing ethics-related articles in the AAFES magazine, *Exchange Post*.
- AAFES creates detailed, comprehensive travel memoranda that outline pertinent facts and address relevant rules.
- AAFES exhibits leadership support for the ethics program.

If you have comments or would like to discuss the report, please contact Dale Christopher, Associate Director for Program Reviews, at 202-482-9224.

# Ethics Program Review Army and Air Force Exchange Service

May 2008 Report

## Executive Summary

The Office of Government Ethics (OGE) has completed its review of the ethics program at the Army and Air Force Exchange Service (AAFES). The purpose of a review is to identify and report on the strengths and weaknesses of a program by evaluating: (1) agency compliance with ethics requirements found in relevant laws, regulations, and policies and (2) ethics-related systems, processes, and procedures for administering the program. OGE determined that there is reasonable assurance that the performance and management of AAFES' program is effective.

OGE's review also identified several model practices that AAFES has implemented. The model practices include:

- publishing articles that target all AAFES employees in the AAFES magazine, *Exchange Post*,
- preparing comprehensive travel memoranda that outline pertinent facts and address relevant rules, and
- underscoring substantial AAFES leadership support for the ethics program.

This report has been forwarded to AAFES' Designated Agency Ethics Official and the Department of Defense's Inspector General.



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## Ethics Program Review

# Army and Air Force Exchange Service

May 2008 Report

## Introduction

### OGE MISSION

The Office of Government Ethics (OGE) provides leadership for the purpose of promoting an ethical workforce, preventing conflicts of interest, and supporting good governance initiatives.

### PURPOSE OF A REVIEW

The purpose of a review is to identify and report on the strengths and weaknesses of an ethics program by evaluating: (1) agency compliance with ethics requirements found in relevant laws, regulations, and policies and (2) ethics-related systems, processes, and procedures in place for administering the program.

### REVIEW AUTHORITY AND SCOPE

OGE has the authority to evaluate the effectiveness of executive branch agency ethics programs. See Title IV of the Ethics in Government Act of 1978, as amended (the Ethics in Government Act), and 5 CFR part 2638. OGE's review of the Army and Air Force Exchange Service (AAFES) focused on the elements listed below.

- Leadership involvement in the ethics program
- Program structure
- Financial disclosure systems
- Ethics education and training
- Ethics counseling
- Outside employment
- Enforcement of ethics laws and regulations
- Travel payments from non-Federal sources

## **Ethics Program Review: AAFES**

OGE's review focused on the program at AAFES headquarters and was conducted in November 2006.

### **Program Elements**

This report consists of descriptions, analyses, and conclusions regarding each program element reviewed.

#### **LEADERSHIP**

Commitment and action by agency leadership is the keystone for ensuring the integrity of an agency's ethical culture and for fostering public confidence in the decision-making processes of Government. Leadership involvement in the ethics program at AAFES is substantial. Notably, an ethics video included an introduction from the AAFES General Counsel, which indicates support for the AAFES ethics program from senior leadership.

#### **PROGRAM STRUCTURE**

AAFES ethics program is administered within the AAFES Office of the General Counsel. The General Counsel serves as the Deputy Designated Agency Ethics Official (DDAEO)<sup>1</sup>. A Deputy Assistant General Counsel serves as an Ethics Counselor. There are two additional Ethics Counselors at AAFES headquarters and two regional Ethics Counselors.

The DDAEO is responsible for the administration of the ethics program. However, much of the substantive ethics-related duties are performed by the two Ethics Counselors at headquarters and a Senior Paralegal who provides extensive administrative support.

#### **FINANCIAL DISCLOSURE SYSTEMS**

Title I of the Ethics in Government Act requires that agencies ensure confidence in the integrity of the Federal Government by demonstrating that officials are able to carry out their duties without compromising the public trust. High-level Federal officials demonstrate that they are able to carry out their duties without compromising the public trust by disclosing publicly their personal financial interests (SF 278). Title I also authorizes OGE to establish a confidential financial disclosure system for less senior executive branch personnel in certain designated positions to facilitate internal agency conflict of interest review (OGE Form 450).

Financial disclosure serves to prevent conflicts of interest and to identify potential conflicts by providing for a systematic review of the financial interests of both current and prospective officers and employees. The financial disclosure reports also assist agencies in administering their ethics programs in providing counseling to employees. See 5 CFR § 2634.104(b).

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<sup>1</sup> The General Counsel of the Department of Defense serves as the Designated Agency Ethics Official for the Department of Defense as a whole, including AAFES.

## Ethics Program Review: AAFES

The Ethics in Government Act requires that agencies document the process for collecting, reviewing, evaluating, and where appropriate, making publicly available financial disclosure reports. AAFES ethics officials developed comprehensive written procedures for managing their financial disclosure systems. AAFES written procedures aid in the collection and review of public and confidential financial disclosure reports. The written procedures direct reviewers through the sections of the reports to ensure that information provided is appropriately analyzed.

### Public Financial Disclosure System (SF 278)

Each year, AAFES Senior Paralegal creates a tracking database with the names of all public filers. The Senior Paralegal sends an e-mail to the filers' Administrative Assistants directing them to remind filers of the requirement to file public financial disclosure reports. After the reports are received, the Senior Paralegal conducts the initial administrative review of the reports, prepares a memorandum for the supervisory review, and attaches the previous calendar year's public financial disclosure report for comparison. After completing the initial review, the Senior Paralegal forwards the report, the memorandum, and the previous year's report to the filer's supervisor for review. Supervisors then forward the reports to an Ethics Counselor for review. The Deputy DDAEO conducts the final certification.

To evaluate the filing, review, and certification of public reports at AAFES, OGE examined all 19 public reports required to be filed in 2006 and 2 reports required to be filed in 2005. These 21 reports consisted of:

#### Type of Report

- 17 incumbent reports
- 4 new entrant reports

21

#### Filing Timeliness

- All 21 reports were filed in a timely manner.

#### Review Timeliness

- All 21 reports were reviewed in a timely manner

#### Certification Timeliness

- All 21 reports were certified in a timely manner.

## Ethics Program Review: AAFES

### Quality of Review

Written comments on the reports and documentation in the files support that there were questions from and annotations made by the reviewing officials, which indicated a thorough review of the reports. Ethics Counselors issued cautionary letters to filers, as appropriate.

### Confidential Financial Disclosure System (OGE Form 450)

AAFES ethics officials carry out almost all duties associated with administering the confidential system. However, the responsibility for reviewing the confidential reports is shared between ethics officials and filers' supervisors. After the reports are reviewed by the supervisors, they are forwarded to the Senior Paralegal. The Senior Paralegal submits the confidential reports to an Ethics Counselor for final certification and retention. This split in the review function allows those who are most knowledgeable about work assignments and potential conflicts, i.e. supervisors, to review filers' reports.

To evaluate the confidential financial disclosure system at AAFES, OGE examined 50 of the 909 confidential reports required to be filed by AAFES headquarters' employees in 2005 and part of 2006. These 50 reports consisted of:

#### Type of Report

- 30 annual reports
- 20 new entrant reports

50

#### Filing Timeliness

- All 50 reports were filed in a timely manner.

#### Review Timeliness

- All 50 reports were reviewed in a timely manner.

#### Certification Timeliness

- All 50 reports were certified in a timely manner.

### Quality of Review

OGE noted the thorough manner in which confidential reports appeared to have been reviewed. The majority of the reports included annotations by ethics officials, which indicated a thorough review.

## Ethics Program Review: AAFES

### ETHICS EDUCATION AND TRAINING

An ethics education and training program is essential to raising awareness among employees about ethics laws and rules and informing them that an agency ethics official is available to provide ethics counseling. Each agency's ethics training program must include at least an initial ethics orientation for all employees and annual ethics training for covered employees.

AAFES education and training program is effectively managed. AAFES ethics officials have developed comprehensive written procedures for managing their education and training program. In accordance with 5 CFR § 2638.706, AAFES has also developed annual training plans.

#### Initial Ethics Orientation

Within 90 days from the time an employee begins work for an agency, the agency must provide the employee with initial ethics orientation. Initial ethics orientation must include:

- the Standards and any agency supplemental standards;
- the names, titles, office addresses, and phone numbers of the DAEO and other ethics officials; and
- at least one hour of official duty time to review the items described above. *See 5 CFR § 2638.703.*

To meet the initial ethics orientation requirement, within 90 days from the time an employee begins work at AAFES, the employee is provided with:

- the Standards;
- at least one hour of official duty time to review the items described above.

In addition, as part of AAFES in-processing, all new employees are provided initial ethics orientation in the form of a video presentation. During the review, OGE was able to evaluate a video featuring the initial orientation provided to new employees to determine if it met all applicable requirements. The video covered all required material except for the contact information for ethics officials. AAFES ethics officials agreed to incorporate the required information concerning contact information for ethics officials. The video included an introduction from the AAFES General Counsel, which indicates support for the AAFES ethics program from senior leadership. OGE considers leadership involvement in AAFES ethics program a model practice.

According to AAFES ethics officials, initial ethics orientation was provided to all new employees who entered on duty during the period covered by OGE's review.

## Ethics Program Review: AAFES

### Annual Ethics Training

Public financial disclosure filers are required to receive verbal annual ethics training each year. *See* 5 CFR § 2638.704(a). Verbal training includes training prepared by a qualified instructor and presented by telecommunications, computer, audiotape, or videotape. *See* 5 CFR § 2638.704(c)(2). Other covered employees (e.g., confidential filers) are required to receive verbal annual ethics training at least once every three years and may receive written annual training in the intervening years. *See* 5 CFR § 2638.705(c). The content requirements for both public filers and other covered employees are the same. Agencies are encouraged to vary the content of annual training from year to year but the training must include, at least, a review of:

- the 14 Principles of Ethical Conduct;
- the Standards;
- any agency supplemental standards;
- the Federal conflict of interest statutes; and
- the names, titles, office addresses, and phone numbers of the DAEO and other ethics officials. *See* 5 CFR § 2638.704(b).

OGE reviewed the following AAFES ethics training materials:

- computer-based training titled *Annual Ethics Training* and
- a taped presentation prepared and delivered by an Ethics Counselor titled *Ethics Guidelines for AAFES Associates*.

OGE's review of these materials found them to meet the annual ethics training content requirements. All covered employees received annual ethics training in 2005 and 2006. The ethics office maintains a detailed computerized system to identify employees who have received training. Finally, the ethics office's outreach to all AAFES employees via, constitutes a model practice.

### ETHICS COUNSELING

The DAEO is required to ensure that a counseling program for agency employees concerning ethics and standards of conduct matters, including post-employment matters, is developed and conducted. *See* 5 CFR § 2638.203. The DAEO may delegate to one or more deputy ethics officials the responsibility for developing and conducting the counseling program. *See* 5 CFR § 2638.204.

OGE's assessment of an ethics counseling program focuses on five factors: (1) accuracy, (2) timeliness, (3) transparency, (4) accountability, and (5) consistency. To determine whether an agency's counseling program successfully addresses these factors, OGE reviews and assesses the program's processes and written procedures. Further, OGE reviews selected samples of advice to assess whether processes and written procedures are effective.

## **Ethics Program Review: AAFES**

To meet the counseling requirements at AAFES, ethics-related counseling is provided to AAFES employees primarily by the Ethics Counselors. AAFES tracks all ethics counseling rendered. All ethics counseling is archived. Ethics officials advertise their roles as counselors on the main AAFES Web site and include their contact information.

To evaluate the ethics counseling provided, OGE reviewed a sample of approximately 25 written determinations rendered during the period covered by the review. Generally, the ethics counseling was in the areas of gifts (including gifts from outside sources and gifts between employees), post-Government employment, seeking employment, outside employment, and fundraising. OGE found that the advice rendered was accurate and consistent with applicable statutes and regulations.

### **OUTSIDE EMPLOYMENT**

All AAFES employees who are required to file a financial disclosure report must obtain written approval prior to beginning any outside employment. See 5 CFR § 3601.107 and subsection 8-100 of the Department of Defense's Joint Ethics Regulation. The employee's immediate supervisor must review the outside employment request and provide an approval signature. The request is then forwarded by the supervisor to an ethics official for a determination as to whether the outside employment is permissible under 5 CFR § 3601.107 and subsection 8-100 of the Department of Defense's Joint Ethics Regulation.

### **ENFORCEMENT**

The DAEO is required to ensure that (1) information developed by internal audit and review staff, the Office of the Inspector General, or other audit groups is reviewed to determine whether such information discloses a need for revising agency standards of conduct or for taking prompt corrective action to remedy actual or potential conflict of interest situations and (2) the services of the agency's Office of the Inspector General are utilized when appropriate, including the referral of matters to and acceptance of matters from that Office. See 5 CFR § 2638.203(b)(11) and (12).

Ethics officials are meeting the requirements of 5 CFR § 2638.203(b)(12) pertaining to coordination with the Office of the Inspector General (OIG), Office of Special Investigations (OSI), and the Criminal Investigation Command (CID) on ethics-related matters. OGE's review team interviewed the AAFES Inspector General (IG). According to the IG, AAFES OIG consults regularly with AAFES ethics officials on matters that require coordination between both offices. OGE's review team also interviewed a Special Agent representing OSI. The OSI Special Agent stated that communication between the ethics office and OSI is effective and matters of mutual concern are freely discussed. Finally, the review team interviewed a Special Agent representing CID. The CID Special Agent stated that a good working relationship exists with the ethics office, OSI and CID. Ethics officials stated that they continue to have effective working relationships with their investigative bodies, and that they, as necessary, coordinate on employee misconduct cases and other ethics-related matters.



## Ethics Program Review: AAFES

There were no alleged conflict of interest violations referred to the Department of Justice in 2005. There were 38 reported incidents in which employees violated the Standards of Ethical Conduct for Employees of the Executive Branch. These 38 cases were addressed through administrative means.

### ACCEPTANCE OF TRAVEL PAYMENTS FROM NON-FEDERAL SOURCES

An employee may accept payment of travel expenses from a non-Federal sources on behalf of the employee's agency for official travel to a meeting or similar function when specifically authorized to do so by the agency. Agencies must submit semiannual reports of travel payments from non-Federal sources in excess of \$250 to OGE. See 31 U.S.C. § 1353.

AAFES accepts travel payments from non-Federal sources for travel, subsistence, and related expenses incurred by agency employees on official travel for attendance at meetings or similar functions. See 31 U.S.C. § 1353. AAFES procedures for requesting and receiving authorization for accepting travel payments from a non-Federal source are well documented. The requesting employee must provide specific information regarding the acceptance of the payment in advance to the Travel Approving Authority and then submit the request to the ethics office for review. The ethics office responds to each request with a detailed memorandum that outlines the known facts and addresses the relevant travel-related rules. Detailed and comprehensive travel memoranda constitute a model practice.

OGE reviewed three semiannual reports submitted to OGE covering the period from October 1, 2004 through March 31, 2006. All the semiannual reports were submitted to OGE in a timely manner using the appropriate SF 326. OGE's examination of the reports and supporting documentation did not identify any deficiencies in AAFES process for accepting such payments.

### Summary

OGE's review determined that there is reasonable assurance that the performance and management of AAFES program is effective.

OGE's review also identified several model practices that AAFES has implemented. The model practices include:

- publishing articles that target all AAFES employees in the AAFES magazine, *Exchange Post*,
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